

**Domestic First-Mover Advantage: International Institutional Design and
Bargaining Outcomes**

by

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This dissertation addresses the relationship between international and domestic institutions during international negotiations. The central argument is that international institutions determine the sequencing of actions during the bargaining process. The second chapter provides an extensive review of the literature on trade politics. The third chapter develops a theoretical argument on sequencing of actions and first-mover advantage in negotiations. Specifically, the chapter emphasizes the role of international rules in determining domestic first-movers in trade negotiations. To test the argument, I collect and create a dataset of the United States' concessions during two General Agreement on Tariffs and Trade negotiating rounds. The fourth and fifth chapter examines sequencing and domestic influence under different international rules. The results provide support for the theoretical argument and the influence of move sequencing for international negotiations. The main implications of the results are three-fold: 1) Institutional change can have unintended consequences; 2) product inclusion and exclusion are more central to trade negotiations than tariff rates; 3) changes to the sequencing of actions create new possible bargaining outcomes.

Table of Contents

Preface	xii
1.0 Introduction: International Rules, Domestic Actors, and Bargaining	
Outcomes	1
1.1 Challenges to Trade Negotiations	2
1.2 The Relationship Between Institutions and Trade Politics	4
1.3 Argument-in-Brief	5
1.4 Overview of the Dissertation	7
2.0 Trade Policy Literature Review	9
2.1 Factors, Factor Mobility, and Trade Preferences	9
2.1.1 Critiques to Factor Endowment and Mobility	10
2.2 Industry Focus	11
2.2.1 Industries Shaping Trade Preferences	12
2.2.2 Industry Lobbying	14
2.3 Firm Focus	16
2.3.1 Not All Firms Can Be Exporters	17
2.3.1.1 Firm Characteristics, Intra-Industry Trade, and Preferences	19
2.3.1.2 Firms and Lobbying	21
2.4 Institutional Focus	23
2.4.1 Domestic Institutions, Ideas, and Political Actions	23
2.4.2 International Rules, Domestic Institutions, and Trade Preferences . .	26
2.4.2.1 Lobbying and Institutions	28
2.5 Public Opinion and Trade Policy	29
2.5.1 Issue Salience and Individual Preferences	32
2.6 Changing Nature of International Trade	33
2.6.1 Argument's Place in the Literature	35
2.7 Conclusion	36

3.0 Theory of Institutional Rules and Domestic Influence	37
3.1 International Institutions and Bargaining Outcomes: Institutionalism and International Relations	38
3.2 Analytical Narrative: Creating and Reforming the GATT	42
3.2.1 Creating the GATT	42
3.2.2 The First GATT Round: Geneva 1947	45
3.2.3 Reforming the GATT's Negotiation Format: Dillon and Kennedy Rounds	47
3.2.4 Explaining the GATT's Negotiation Reform	50
3.2.5 Shifting Domestic Influence to Import-Competing Interests	53
3.3 Theoretical Argument: First-Mover Advantage and Institutions	55
3.3.1 International Institutions and First-Mover Advantage	56
3.3.2 GATT, Negotiation Structure, and First-Mover	61
3.4 Shaping Domestic Importance and Influence	66
3.4.1 What Determines Domestic Importance?	68
3.4.2 Dillon Round Hypotheses	70
3.4.3 Kennedy Round Hypotheses	71
4.0 Power to the Exporters: First-Mover Advantage and the Dillon Round	74
4.1 Data Collection and the Dillon Round	75
4.2 Research Design	78
4.2.1 Dependent Variable	78
4.2.2 Independent Variables	79
4.2.3 Methodology	81
4.2.4 Benefits of Mixed-Methods Analysis	84
4.2.5 Case Selection Criteria for the Dillon Round	85
4.3 Quantitative Analysis	87
4.3.1 Concession Size and Domestic Importance	89
4.3.1.1 Robustness Checks	97
4.3.2 Inclusion and Removal in Agricultural Products	100
4.4 Case Study: Dillon Round and Domestic Political Action	106

4.4.1	Import Injury and Tariff Commission Appeals	107
4.4.1.1	Tariff Commission Investigations and Recommendations . .	108
4.4.2	Congressional Hearings and Protection	112
4.4.3	Domestic Interests and Dillon Round Negotiations	116
4.4.4	Import-Competing Industries, Political Action, and the Dillon Round	119
4.5	Conclusion	121
5.0	Revenge of Import-Competing Industries: First-Mover Advantage and the Kennedy Round	122
5.1	Data Collection and the Kennedy Round Documents	124
5.2	Research Design	127
5.2.1	Dependent Variable	127
5.2.2	Independent Variables	128
5.2.3	Methodology	130
5.2.4	Case Selection Criteria for the Kennedy Round	133
5.3	Quantitative Analysis	136
5.3.1	Concession Size and Domestic Importance	137
5.3.2	Product Inclusion and Domestic Importance	144
5.3.3	Robustness Checks: Tariff Concessions	150
5.3.4	Robustness Checks: Product Inclusion	152
5.4	Case Study: Kennedy Round and Domestic Political Action	156
5.4.1	Domestic Interests and Kennedy Round Negotiations	156
5.4.2	Product Inclusion and the Kennedy Round	158
5.4.3	Offer Modifications and Domestic Importance	162
5.4.4	Political Action and the Kennedy Round	168
5.4.5	Import Injury and Tariff Commission Appeals	171
5.4.6	Accepted Offers and Exceptions	173
5.4.7	Reconciling the Results	175
5.5	Conclusion	176
6.0	Conclusion: International Rules, Domestic Actors, and Bargaining Outcomes	177

6.1	Dissertation Review	177
6.2	Normative Implications	177
6.3	Directions for Future Research	179
	Appendix A Data Collection and Variable Measurement	182
A.1	Data Collected From the GATT Documents	182
A.1.1	Transforming the GATT Data	182
A.1.2	Dillon Round Agricultural Products Data Collection	183
A.2	Independent Variables	184
A.2.1	Variables from the Bureau of Economic Analysis	185
A.2.1.1	Employment	185
A.2.1.2	Compensation	185
A.2.1.3	Value Added	185
A.2.1.4	Gross Output	185
A.2.2	Variables from the Handbook of Labor Statistics 1969	186
A.2.2.1	Accession: New Hires	186
A.2.2.2	Accession: Total	186
A.2.2.3	Separations: Layoffs	186
A.2.2.4	Separations: Total	186
A.2.2.5	Unemployment Rate	186
A.2.3	Variables from the Directory of National and International Labor Unions in the United States	187
A.2.3.1	Number of Unions	187
A.2.3.2	Union Membership	187
A.2.3.3	Membership AFL-CIO Unions	187
A.2.4	Variables Created From the Above Variables	187
A.2.4.1	Labor Intensity	187
A.2.4.2	Decline (Binary)	188
A.2.4.3	Decline (Continuous)	188
	Appendix B Dillon Round Analysis	189
	Appendix C Kennedy Round Analysis	192

Bibliography	195
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List of Tables

3.1	GATT Negotiation Frameworks	62
3.2	Domestic and International Institutional Alignment in the United States	64
4.1	Dillon Round Summary Statistics	82
4.2	Dillon Round - Political and Economic Importance	90
4.3	Dillon Round - Interaction with Import-Competing Industries	92
4.4	Dillon Round - Interaction with Unemployment in Industries	98
4.5	Dillon Round - Interaction with More Job Exits in Industries	101
5.1	Kennedy Round Summary Statistics	131
5.2	Kennedy Round - Political and Economic Importance	138
5.3	Kennedy Round - Interaction with Import-Competing Industries	140
5.4	Kennedy Round - Political and Economic Importance	145
5.5	Kennedy Round - Interaction with Import-Competing Industries	147
5.6	Kennedy Round - Interaction with Unemployment in Industries	151
5.7	Kennedy Round - Interaction with Difference b/w Exits/Entrances	153
5.8	Kennedy Round - Interaction with Unemployment in Industries	154
5.9	Kennedy Round - Interaction with Difference b/w Exits/Entrances	155
5.10	United States' Offered Concessions on Formerly Exempted Products	165
5.11	United States' Offered Concessions on Formerly Exempted Products and Con- gressional Pressure	166
B.1	Correlation Table: Analysis Variables	190
B.2	Dillon Round: Export- and Import-Competing Industries in the United States .	191
C.1	Correlation Table - Analysis Variables	193
C.2	Kennedy Round: Export- and Import-Competing Industries in the United States	194

List of Figures

3.1	Determining First-Mover Advantage	59
4.1	Example of United States' Dillon Round Concessions	77
4.2	Dillon Round - Distribution of Concessions by Political Importance	88
4.3	Dillon Round - Distribution of Concessions by Economic Importance	89
4.4	Dillon Round - Marginal Effect by Political Importance on Concession Rates . .	94
4.5	Dillon Round - Marginal Effect by Economic Importance on Concession Rates .	95
4.6	Dillon Round - Marginal Effects of Industry Decline by Domestic Importance on Tariff Concessions	102
4.7	United States Agricultural Product Inclusion and Concession Size	103
4.8	Agricultural Product Removal and Inclusion	105
5.1	Example of United States' Kennedy Round Concessions	126
5.2	Kennedy Round - Distribution of Concessions by Political Importance	135
5.3	Kennedy Round - Distribution of Concessions by Economic Importance	135
5.4	Kennedy Round - Marginal Effect by Political Importance on Concession Rates	141
5.5	Kennedy Round - Marginal Effect by Economic Importance on Concession Rates	143
5.6	Kennedy Round - Marginal Effect by Political Importance on Product Inclusion	148
5.7	Kennedy Round - Marginal Effect by Economic Importance on Product Inclusion	149

Preface

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1.0 Introduction: International Rules, Domestic Actors, and Bargaining Outcomes

“No one really knows how the parties get to yes. The pieces that are sacrificed in every game of chess. We just assume that it happens, but no one else is in the room where it happens.” As the song “The Room Where It Happens” from the Broadway musical *Hamilton* highlights, the process of negotiated outcomes remains largely unknown to those not involved in the process. The outcomes of international negotiations themselves are publicly available; however, the process of how the involved parties reached that outcome remains private and only known to those with direct involvement. This dissertation addresses the bargaining process of how international trade agreements are concluded and the interplay between institutional rules and the influence of domestic actors. The central question of the dissertation is **how does institutional overlap affect the influence of domestic actors on international bargaining outcomes?**

The importance of trade is constantly growing in an ever-increasing global and interconnected world. Trade allows products to travel between countries and reach various markets. In addition, trade negotiations create the possibility for countries to exchange products. The initial argument for trade between countries emphasized the notion of comparative advantage. According to comparative advantage, countries should only produce goods that they can manufacture efficiently and with the least amount of trade-off in manufacturing other goods. Countries manufacture goods that maximize their resources and capabilities and trade for products that are inefficient to produce. However, trade is not always viewed as a win-win for both countries. Workers in industries that no longer exist in a country will not be better off despite the ability to trade for the products those workers previously manufactured.

Trade has numerous positive effects for countries, but not every group benefits equally or at all from trade agreements. In order to gain access to foreign markets, states have to provide access to their domestic market to foreign goods. The competition that imported products creates directly disadvantages domestic producers. Yet, our understanding of trade

negotiations is largely from the outside looking in. Only so much can be gleaned from strictly analyzing the outcomes of trade negotiations by the results.

The World Trade Organization (WTO) declassified trade negotiation documents from the General Agreement on Tariffs and Trade (GATT) for all but the final GATT Round.¹ These documents provide a wealth of information about the behind-the-scenes of trade negotiations. The documents cover the duration of the bargaining rounds and provide details on requests, offers, and frustrations of the negotiating members. Much still occurred outside of what is included in the GATT's documents, but the available information offers a glimpse into the bargaining process of trade negotiations. I leverage the declassified GATT documents to analyze the relationship between international and domestic institutions, domestic actors, and bargaining outcomes.

1.1 Challenges to Trade Negotiations

The study of trade negotiation outcomes relies mostly on the new tariff rate to analyze the results (Pelc, 2011, 2013) or trade flows (Allee and Scalera, 2012; Goldstein, Rivers and Tomz, 2007; Rose, 2004*b,a*). The outcomes of trade negotiations, while useful, can only offer so much about how the negotiation unfolded. The challenge with negotiations is accessing the bargaining process. One of the GATT negotiating rounds analyzed in this dissertation, the Kennedy Round, remained largely secretive.² Understanding what affects international trade negotiations is central to analyzing and predicting the outcome of trade negotiations.

The use of trade flows to examine the effect of the GATT on trade policies offers competing conclusions. Rose (2004*b,a*) finds that membership in the GATT/WTO did not increase trade flows between members or lead to more liberal trade policies. Simultaneously, Goldstein, Rivers and Tomz (2007) show that institutional standing and rights in the GATT/WTO do increase trade flows between participants. Similarly, the accession require-

¹The documents do not include the Uruguay Round. Following that round, the GATT transformed into the WTO.

²Foreign Relations of the United States, 1964-1968, Volume VIII, International Monetary and Trade Policy, eds. Evan Duncan, David S. Patterson, and Carolyn Yee (Washington: Government Printing Office, 1998), Document 316.

ments to join the GATT/WTO significantly affect trade policies and trade flows (Allee and Scalera, 2012). Outside of institutional institutions, trade flows are shaped by the dyadic characteristics between two states. Depending on the state of dynamic relationships, the amount of trade between states will vary (Kim, Liao and Imai, 2020). International institutions, whether the GATT/WTO or preferential trade agreements, may reshape trade flows and dyadic relationships between states. On the other hand, the GATT/WTO can only affect trade flows between members. Kim, Londregan and Ratkovic (2019) find that political institutions affect countries at the extensive margins, which countries to trade with, rather than the intensive margin, the extent of trade flows. The United States did not have to offer concessions on a variety of agricultural products.³ Using trade flows to analyze trade negotiations does not present the entire picture.

Further, tariff rates do not tell the entire story of negotiations either. Bagwell, Staiger and Yurukoglu (2020), using declassified GATT documents for the Torquay Round, find that much of that negotiation centered on product inclusion and removal rather than revising tariff rates. Dutt, Mihov and Van Zandt (2013) also finds that the GATT's main impact in international trade occurred in the number of products covered in negotiations. Trade negotiations extend beyond tariffs, and often, the more challenging decision is whether to include a product rather than the tariff concession. The majority of the back-and-forth in international trade negotiations occurs in the inclusion and exclusion of products from negotiations. Gaining access to which products are included or not in trade negotiations provides the ability to better understand how trade negotiations unfold. The ability to analyze negotiations based on product inclusion also assists with understanding tariff rates and trade flows.

³Folder, "McGeorge Bundy, Vol. 14, September 1 - 22, 1965 [2 of 2]," Memos to the President, NSF, Box 4, , LBJ Presidential Library, accessed June 20, 2021, <https://www.discoverljb.org/item/nsf-memos-b04-f06>

1.2 The Relationship Between Institutions and Trade Politics

Institutions, in general, are essential to shaping policies and policy outcomes. However, institutions are designed and do not operate the same. How institutions are designed has an enormous influence on the role and function of institutions well into the future. Rational-choice institutionalism argues that institutions are created to reflect and preserve interests and maximize the benefit to their designers (Hall and Taylor, 1996; Koremenos, Lipson and Snidal, 2001). On the other hand, historical institutionalism argues that institutions shape the behavior of those involved and maintains and preserves the power dynamics into the future (Farrell and Newman, 2010; Fioretos, 2011; Thelen, 1999). The differences between and across institutions mean that each affects members differently. The motivations for how institutions are designed affect the initial founding and the continued decisions from within the institutional setting.

In an ever-increasingly global and interconnected world, institutions overlap at the domestic and international levels. The overlap between institutions creates competition between the rules and influence of the various institutions, which affects when certain rules apply (Farrell and Newman, 2016). Institutional rules create competing narratives about what are appropriate actions and shape decision-making calculations (Lindner and Rittberger, 2003). In order to analyze the role of institutions, the overlap between institutions at the domestic and international levels must be acknowledged. The overlapping institutions may alternate between influencing decisions with certain institutional features mattering more and then giving way to other institutions.

Both domestic and international institutions influence international trade. While international institutions are created to directly oversee trade relations, domestic institutions affect the access of domestic actors to decision-makers. At both levels, institutions determine which interests are advantaged during the bargaining process. Institutional rules can also limit the available options to states (Carnegie, 2015). Domestically, the composition and design of institutions vary by state, but the members of international institutions are subjected to the same rules and restrictions.

International institutional rules directly influence international trade by focusing solely

on trade. The specialization of international institutions allows rules to possess a greater influence over issues. The GATT's rules determine the actions that states can pursue and cannot. The negotiation format allows states to selectively exclude important import-competing industries or removes that option from the table entirely.⁴ The GATT's principal-supplier and most-favored-nation rules directly limit which states can make requests on products or where concession requests are sent (Gowa and Kim, 2005; Gowa and Hicks, 2012, 2018).

Domestic institutions are not uniform. Each state faces different, rules and domestic groups benefit from the composition of the institutions. For example, different electoral institutions offer varying levels of access for lobbying decision-makers (Betz, 2017; Hiscox, 1999). Institutions can also have a bias about which interests it prioritizes with access (Lee and Osgood, 2019). Bias can greatly impact decisions in institutions and restrict the available options for disadvantaged groups (Goldstein, 1986; Siles-Brügge, 2014).

Institutions are central to the bargaining process and reaching agreed-upon outcomes. However, the increasing overlap of institutions leads to challenges over which rules apply and when. Institutional rules, also, are not applied uniformly across all institutions. Each state has its own domestic institutions with their idiosyncratic rules and requirements. International and domestic institutions overlap when states participate in the international system. Delving further into the question of institutional overlap is central to understanding international negotiations and bargaining outcomes.

1.3 Argument-in-Brief

The existing research argues that import-competing industries benefit from the selective item-by-item approach (Goldstein and Gulotty, 2014; Gowa and Hicks, 2018). This argument accounts for the role of international and domestic institutions separately. International institutions set the stage of the negotiations with the overarching framework, but domestic institutions exert a separate influence than international institutions. However, there is often overlap between the rules of international and domestic institutions (Farrell and Newman,

⁴See Gowa and Hicks (2018) for discussion of negotiation rules and available options.

2016) and the sequencing of moves during negotiations is likely to shape the strategies of negotiators (Shepsle, 1989). I argue international institutional rules establish the sequencing of moves for domestic actors in negotiations. The sequencing of actions is important because it determines which groups can lobby domestically for their preferred outcomes first.

The sequencing of actions is important for negotiations because it allows the group(s) with the first move to set the direction for the bargaining process. If international rules determine the sequencing of events, they set which interests possess the first-mover advantage. To determine which interests act as first-movers in negotiations, I argue that the negotiation format used by international institutions specifies which domestic groups act first. Domestic institutions are not removed from the bargaining process but respond to the determinations of international institutions.

However, there are limits to the influence of first-mover advantage. Those limitations are a result of institutional overlap between domestic institutions. As Farrell and Newman (2016) argue, the overlap between institutions creates uncertainty around when which institutional rules apply. While international institutions may determine which actors possess first-mover advantage, domestic institutions ultimately determine how those rules apply and their actions throughout the bargaining process. The filtering of international first-mover occurs when there is a divergence between the preferred preferences for international and domestic institutions. Although first-mover is granted to domestic groups, the domestic institutions can either maximize or minimize the first-mover advantage. If there is preference alignment between the first-mover and domestic institutions, the first-mover advantage is more likely to shape the direction of the bargaining process. On the other hand, if there is divergence, domestic institutions can limit the influence of first-mover advantage in negotiations. The interaction between international and domestic institutions shapes the bargaining process and outcome.

Specifically, I argue that the GATT's negotiations formats advantaged different domestic groups. Since its founding to the Dillon Round, the item-by-item framework employed by the GATT granted first-mover to export-competing industries. This allowed export-competing interests to dictate the direction of negotiations. However, the existing literature⁵

⁵See Goldstein and Gulotty (2014); Gowa and Hicks (2018) for discussion on item-by-item negotiations

and the United States⁶ have argued that item-by-item negotiations protect domestically important industries from inclusion in negotiations. At the same time, the linear approach was argued to minimize the influence of protectionist pressures,⁷ while allowing states to submit exemption lists prior to the start of negotiations. International institutions may determine which interests are the first-movers in negotiations, but domestic institutions are equally important in determining the extent of first-mover influence. The theory developed in this dissertation examines the overlap between international and domestic institutions and how change at the international institutional level affects domestic groups' influence in bargaining outcomes.

1.4 Overview of the Dissertation

The overall goal of the dissertation is to demonstrate the importance of better understanding trade negotiations and the relationship between domestic and international institutions. In order to accurately frame the dissertation, chapter 2 reviews the existing literature on trade policy.

Chapter 3 develops my theoretical argument about international institutions dictating which domestic actors are prioritized in negotiations through first-mover advantage. This chapter argues that the item-by-item negotiation format benefited the interests of export-competing industries while sacrificing import-competing industries. The existing literature argues that the selective item-by-item approach allows important domestic industries to be protected (Goldstein and Gulotty, 2014; Gowa and Hicks, 2018). This theory developed in this chapter diverges from the existing literature by examining the relationship between domestic and international institutions – the relationship between the different levels of institutions shapes which domestic groups are advantaged during negotiations.

Next, chapter 4 offers the first empirical test of my theoretical argument, which is the and protecting domestically sensitive industries from concessions.

⁶“Views of the United States Regarding So-Called Ecrtement and Other Proposals for Unequal Linear Reduction of Tariffs.” General Agreement on Tariffs and Trade, 24 April 1963.

⁷Ibid.

GATT's Dillon Round. Chapter 4 describes the data collection process for the Dillon Round and what information was prioritized during data collection. The chapter argues that import-competing industries are likely to be disadvantaged in negotiations when export-competing interests possess the first-mover advantage in negotiations. The results indicate that products of import-competing industries that were included in negotiations were not protected by domestic importance and were included late in negotiations to leverage improved tariff concessions for export-competing interests.

Chapter 5 provides an alternative test of the theory by examining a GATT negotiation that occurred on different rules than the Dillon Round. The Kennedy Round was the first negotiation prior to institutional reform of the GATT's negotiation procedures. This chapter analyzes the role of institutional change in negotiations and whether that change can alter first-mover advantage. Institutional reform does, in fact, shape first-mover advantage, but the extent of that advantage is ultimately determined at the domestic institutional level, as the results support.

The final chapter is the conclusion, which summarizes the main findings, implications for our understanding of trade negotiations and the interdependent relationship between international and domestic institutions, limitations of the dissertation, and avenues for future research.

2.0 Trade Policy Literature Review

This chapter reviews the various explanations of trade policy formation, the connections and differences across explanations, and how international trade and relationships have evolved over time. The trade politics literature offers a variety of arguments for trade liberalization or protectionism. What affects trade policy formation ranges from factor endowments and mobility (Hiscox, 2001; Rogowski, 1989) to the role of institutions (Goldstein, 1986; Goldstein and Gulotty, 2014; Gowa, 1988). Each competing explanation of trade policy emphasizes different main actors in setting trade policy as well as which domestic interests are better positioned to achieve their preferred policy outcomes. The main debate within the trade politics literature is between industry- and firm-centered approaches, essentially whether industries advocate from a unified position (Hathaway, 1998; Hiscox, 2002; Milner, 1988*a*) or whether autonomous firms act independently from industrial organizations (Kim, 2017; Kim et al., 2019; Kim and Osgood, 2019; Osgood, 2017*b*; Osgood et al., 2017). Depending on the method, different actors, characteristics, and institutions matter for shaping domestic trade policy. This chapter analyzes the competing arguments concerning trade policy to highlight their differences, similarities, and position in explaining ever-changing international trade relationships.

2.1 Factors, Factor Mobility, and Trade Preferences

According to the factor approach to trade politics, the debate around trade policy hinges on whether factors - land, capital, and labor - are mobile across industries. The Heckscher-Ohlin/Stolper-Samuelson theorem argues that factors are mobile between industries and countries' factor endowments determine who benefits from liberalization and protection (Stolper and Samuelson, 1941). Since resources are able to freely move across industries, political coalitions form around factors (Rogowski, 1987, 1989). Rogowski argues that coalitions form depending on whether factors are abundant or scarce with abundant factors

advocating for trade liberalization while scarce factors pursue protection. If a country is abundantly endowed in capital and scarcely endowed in labor, higher tariffs benefit labor while harming capital, so capital groups advocate for lower tariffs compared to higher tariffs for labor organizations. Protectionism causes factors to shift from industries that rely on abundant factors to industries that use scarce factors (Mundell, 1957). Whether an industry relies on a scarce or abundant factor determines its preferences toward trade policy.

The Stolper-Samuelson framework does not predict conflict within factors because resources are mobile, so the competition over trade policy occurs across factors rather than within them (Stolper and Samuelson, 1941). Even though industries may have significant differences and require fundamentally dissimilar skills or capital, mobility allows resources to freely move across industries. Factor mobility argues that workers, if labor is abundant, are able to move between industries without losing productivity. This limits intra-factor divisions and the development of interests for protection or liberalization based on industries.

2.1.1 Critiques to Factor Endowment and Mobility

Factors are able to be divided into subgroups that extend beyond the three traditional factors of land, capital, and labor. Midford (1993) argues that labor is better divided between three groups: Unskilled, semi-skilled, and skilled labor. While factor divisions are not directly comparable to Rogowski's argument about factor endowments, it does indicate that factors are not homogeneous. Due to the divisions within labor, the United States should have seen a coalition between capitalists and skilled labor, which the United States had in abundance (Midford, 1993). The United States' exports, in the early postwar period, were relatively labor-intensive because of the subdivision in labor and abundance in skilled labor. Similarly, outside of skill, labor faces competing threats from trade policy depending on whether jobs are at risk of offshoring (Owen, 2017). High-skill jobs are increasingly at risk of offshoring while low-skill jobs are protected from offshoring because they are location dependent. Divisions within factors account for differences between labor groups and whether unskilled or skilled labor is represented. Countries abundant in skilled labor and capital constitute large shares of imports into the United States compared to industries abundant in

other factors (Romalis, 2004). This reflects the importance of divisions within factors as well as the role of factors in determining imports and exports, but it also challenges the notion that factors lack divisions and are consistently advocate for unified preferences.

The alternative to factor mobility is that not all factors are fluid across industries. The factor endowment approach argues, uniformly, that factors are fully mobile, but Hiscox (2001) challenges the full mobility of factors. The lack of resource mobility across industries creates competing interests for liberalization or protection. Factor mobility is not consistent across time and may create opportunities for resources to move across industries with minimal costs (Hiscox, 2002; Ladewig, 2006). Mussa (1974) argues that even if resources are transferable in the long-run for alternative uses that those same resources are not completely transferable in the short-term. For example, machinery used to produce automobiles is not able to seamlessly carry-over to the textile industry in the short-term even if it is able to be re-formatted for the textile industry in the long-term. Thus, the inability of resources to move between industries without short-term costs leads to the development of competing industry interests for trade protection or liberalization (Hiscox, 2001; Mussa, 1982).

The limited mobility of resources creates narrow industry-based conflict (Hiscox, 2002). Factor mobility affects the ways in which economic interests are organized within countries. When mobility is high and resources move freely between industries, economic interests should be organized through class-based political parties and peak associations that represent an entire factor's - land, capital, or labor - interest; on the other hand, if mobility is low, industry groups, such as labor unions or management associations, represent the narrow interests of industries (Hiscox, 2002). Factor mobility shapes how interests are arranged and how competing positions are expressed within countries.

2.2 Industry Focus

With the emergence of the Ricardo-Viner model to challenge the factor framework, industry interests arose as a key driver of countries' trade policies. These divisions between industries usually occur along export- and import-competing lines. Since export-competing

industries pursue foreign rather than domestic markets and import-competing industries are focused on domestic markets, the preferences on trade liberalization or protectionism diverge for these industries. Industries are vital in forming trade policy as well as shaping the preferences and actions of individual firms within the industry (Hathaway, 1998).

2.2.1 Industries Shaping Trade Preferences

Industries aggregate the interests of individual firms into a single, collective policy position. The focus on industries is imperative for understanding trade policy because firms alter the position of the industry as a whole while industries, simultaneously, influence the preferences of firms. Industries provide top-down influence on firms.¹ Top-down influence occurs when industries shape the individual preferences of firms to conform or move closer to the industry's position. Nonetheless, firms also provide bottom-up pressure that shapes the positions of industries. Industries are a significant component in the development of trade preferences because firms do not act alone in a vacuum; rather, firm activity is often shaped by the existence of other firms within the same industry (Hathaway, 1998; Milner, 1988*a*).

While industries exert top-down influence on firms, industry positions are simultaneously influenced by the positions of firms. As with divisions within factors, preferences can simultaneously be divided within industries. These differences lead industry associations to remain quiet on trade issues or to emphasize the positions of the largest, most productive firms within the industry (Milner, 1988*a*). As industries become more contracted, that is, when an industry has a small number of large firms, lobbying tends to occur through industry associations (Bombardini and Trebbi, 2012). As Milner shows, these larger firms are able to dictate the position of the association, which helps overcome collective action problems. On the other hand, industries that are less contracted and more competitive tend to be less cooperative within associations because of free-riding and divergent preferences. However, while industry concentration may help large firms accept free-riding by smaller firms within the industry, Barber, Pierskalla and Weschle (2014) find industry concentration

¹Top-down industry effects on firms align with the Ricardo-Viner/industry-centered approach where industry associations are the main actors in influencing trade policy. Bottom-up firm effects on industries align with the firm-centered approach to trade policy where firms are the key actors.

has no impact on lobbying activity.

Beyond industry concentration, other factors are likely to influence whether firms share preferences on trade and lobby together as an industry. Milner (1987) argues that firm preferences are shaped by their position within the international economy rather than domestic characteristics. Firms that are connected via exports, imports of inputs, multinational production, and intra-industry trade prefer lower tariffs and lobby for that position regardless of domestic factors such as industry concentration or economic crises. Industry divergence can also occur because of firms' positions within both the domestic as well as international economy. Industries that are more protected domestically and have larger returns of scale oppose liberalizing trade through less strict rules of origin requirements than industries with more international connections (Chase, 2008). The divergence over preferences within industries creates challenges for developing a unified position within associations.

While firms possess their own interests and preferences on trade policy, industries aggregate those positions into a collective industry-wide stance. As previously noted, some firms may use their position within the industry to dictate the ultimate position on trade. Nonetheless, dominant firms are affected by the actions of other firms within the industry (Milner, 1988*a*). Firms may pursue an agenda through the industry association, rather than lobby alone, if their products are substitutable with the products of other firms within the industry (Bombardini and Trebbi, 2012). Essentially, if a firm lobbies for increased protection for a specific product, another firm within the same industry may not be affected by the lobbying activity and be more competitive as a result of the individual firm's lobbying. Even dominant firms may opt to pursue trade policy objectives through industry associations rather than alone.

The success and speed to which industries are able to achieve their demands may depend on whether industries are united. When firms within industries coalesce around similar strategies, issues can quickly translate into demands over trade policy (Milner and Yoffie, 1989). On the other hand, when industries lack a common position or disagree over whether issues are threats, industries' positions are unlikely to be mobilized into policy demands and acted upon quickly. The positions and actions of industries affect firms, whether they agree or not with the majority of the industry.

While firms may have the ability and desire to lobby alone, many firms within the industry voice their demands through industry associations (Hathaway, 1998). Since industry-wide associations represent many different firms, industry preference should influence the lobbying positions of associations (Hiscox, 2001). Firms are the component of industries that calculate their interests, but because industries aggregate these interests, firms bargain and clash over which interests are reflected at the industry level (Milner, 1988*a*). In order for firms to advance their preferences within the industry, they need the backing of other firms, which will require bargaining and compromise. Despite the ability of some firms to act independently, industry associations influence the decision-making of firms and may alter their decision to act outside of the association.

2.2.2 Industry Lobbying

Industry lobbying positions traditionally fall along import- and export-competing lines. Industries that export more lobby for lower barriers to trade while industries that import more or compete domestically with foreign products lobby for higher barriers to trade (Hiscox, 2001; Milner, 1988*a*). Industries likely include a mix of firms that are import- and export-oriented. This makes the role of industry associations as preference aggregators more of a challenge because of the diverging interests between import- and export-competing firms. However, since associations represent an entire industry, the positions of the industry associations reflect whether the majority are import- or export-competing.

In order for industries to successfully advance their interests, they need to participate in the political process. However, not all industries are equally successfully in achieving their desired outcomes. As Grossman and Helpman (1994) argue, trade policy decisions are the result of lobbying efforts and societal welfare. The presence of industry organization to lobby for their preferred outcomes allows those organized industries to be more likely to achieve their desired trade policy outcomes (Goldberg and Maggi, 1999; Grossman and Helpman, 1994; McCalman, 2004). Industries that desire maintaining low trade barriers or greater liberalization were more successful in their cases (Milner, 1988*b*). On the other hand, industries that favored protectionism were also successful in their pursuits, but their success

was greater when the industry was united for increased protectionism rather than divided. This raises a potential barrier to the success of lobbying for protectionism as industries may not be entirely composed of import-competing firms and experience challenges from export-competing firms within the industry. As fractions within industries expand, it increases the number of groups lobbying and counteracting messages, which increases trade liberalization (McCalman, 2004).

Whereas Milner finds that protectionist demands are not always as successful as those for free trade, Hiscox (2001) shows that the number of protectionist industries outnumber those lobbying for greater trade liberalization. During the debate over the Trade Expansion Act of 1962, only 18 pro-free trade groups testified before Congress compared to 45 protectionist groups. Hiscox argues that lobbying for protectionism concentrates benefits to firms in import-competing industries while it distributes the costs to firms in other industries and consumers; on the other hand, export-competing interests face a free-rider problem since exporters share a general preference for lower tariffs. Dür (2007) argues that exporters lobby more against losses than in favor of gains of access to foreign markets. The Trade Expansion Act would make it easier to liberalize trade further, which may account for why only 18 pro-free trade groups testified because of the free-rider problem and cost to organize. Export-competing interests are more likely to mobilize in defense of their interests in the face of foreign discrimination.

The decision for industries to lobby depends on the potential benefits and the perceived chance of success (Hathaway, 1998). Industries that are unsuccessful in their lobbying efforts are required to adjust to the new environment. Industries that are successful in lobbying for protection do not have to adjust to remain competitive, but success depends on the receptiveness toward protectionist interests as well as industry size and level of industry. The potential success and benefits of lobbying determine whether industries simply adjust or engage in political action. The decision to adjust, instead of lobby, lowers the potential benefits of future protectionism lobbying. Industries self-select into lobbying based on whether the action is likely to be successful and based on the cost of political action (Hansen, 1990; Hathaway, 1998).

As Dür argues that export-competing interests are more likely to mobilize in the face of

potential losses through foreign discrimination, Hiscox (2001) argues that export interests are mobilized in the pursuit of new markets because of the principle of reciprocity. Reciprocity allows trade liberalization to be framed as a way to gain access to new markets for exporters. While exporters may generally prefer free trade, industries will mobilize to lobby for access to new foreign markets rather than mobilize only to prevent losses in existing markets. The importance of market access, whether pursuing new or defending existing, may vary for exporters depending on the state of the international system, access to domestic markets, or existing access to foreign markets.

Industry associations continue to provide a voice for all firms under its influence. While firms have the ability to shape the positions of industries, the firms that are unable to act independently still rely on industry associations to advance their interests. The ability of firms to lobby independently does alter the overall capacity of industries but remains a viable means for other firms to engage politically. Industries also influence the decisions of individual firms because of the similarity between firms within the same industry. The incentive to represent a collective and unified voice on trade issues creates greater political influence.

2.3 Firm Focus

“Firms’ preferences alone do not account for outcomes, but rather that firms’ preferences are one of the most important influences on trade policy” (Milner, 1987). The firm-level explanations of trade policy focus on the preferences as well as characteristics of firms in affecting trade policy. Whereas with the industry approach, firms have preferences regarding trade policy but are restricted in their ability to act alone outside of industry associations unless a major firm has the ability to deviate from the industry’s position. The firm-level approach argues that certain firms are able to go it alone in regard to lobbying and these firms are able to influence the direction of trade policy.

The firm-centered model begins with firms are heterogeneous, which both the Stolper-Samuelson (factor approach) and Ricardo-Viner (industry/factor mobility) models do not

account for. While the industry-centered approach also allows for variation across firms, preferences are eventually aggregated into a single position via the industry association through negotiations and compromise. However, firms are the main actors experiencing the costs and benefits of trade policy (Milner, 1988*b*) and the characteristics of firms determine their influence in lobby over trade policy (Kim and Osgood, 2019; Osgood, 2016). Thus, according to the firm-centered approach, firm activity is central to understanding and explaining trade policy.

A key feature of the firm-centered model is the presence of intra-industry trade. Unlike inter-industry trade, which is products exchanged across industries, intra-industry trade is exchanging products within the same industry. Kim, Liao and Imai (2020) show that trade relations between countries evolve from sparse trade to inter-industry to intra-industry trade. The evolution to intra-industry trade is the result of two features of the modern trading environment: Increasing returns of scale and consumers' love of variety (Madeira, 2016; Kim and Osgood, 2019). Consumers' desire for variety in products protects firms from competition, which creates greater firm heterogeneity within industries as long as other firms are not producing the exact same goods (Kim, 2017). Intra-industry trade and product differentiation also provide incentives for firms to lobby independently from industry associations because the benefits of action apply to a particular variety of a particular product (Gilligan, 1997*b*). Thus, intra-industry trade places firms at the center of trade policy by further narrowing the focus away from industry-level products to differentiated, firm-level goods. Beyond the products exchanged, inter- and intra-industry approaches differ in who the key actors are in shaping and setting trade policy. The inter-industry approach emphasizes industry associations as the domestic driver of trade policy while intra-industry approaches highlight the importance and significance of individual firms.

2.3.1 Not All Firms Can Be Exporters

The industry approach aggregates the positions of all firms into one collective position, so if the industry, as a whole, exports more than it imports, the industry is labeled as export-competing. Despite being in an export-competing industry, not all firms are able to

have multinational connections (Betz, 2017; Osgood, 2017*a*; Osgood et al., 2017) and export-competing industries may only contain a few large, multinational firms (Milner, 1988*b*). Kim et al. (2019) describe four types of firms: Domestic, autonomous exporter, exporters in global value chains, and multinational firms. Autonomous exporters are firms that do not import input products for their final goods while exporters in global value chains are firms that both import and export goods. This is an important distinction because exporters in global value chains and multinational firms will have different preferences regarding trade policy than autonomous exporters despite all three firm types existing within the same industry and engaging in exports. Even less so, a small group of “superstar” firms account for a vast majority of exports; for example, 81% of U.S. exports are attributed to the largest 1% of firms in the United States (Kim and Osgood, 2019). As a result of intra-industry trade, firms that are more productive and competitive enter export markets while less productive firms exit those markets (Krugman, 1980; Melitz, 2003).

While firms with greater global connections are more likely to favor trade liberalization, not all firms are able to cultivate international ties. Osgood (2017*a*) discusses three ways that firms are globally connected: 1) Vertical foreign direct investment, 2) input sourcing, and 3) export performance. First, firms invest in offshore production based on resource allocations to produce products that are then exported back to the home country. Second, some firms are able to import intermediate inputs from abroad for inclusion in final products. Finally, product differentiation allows firms to be more competitive in foreign markets, which exacerbates intra-industry divisions.

Firms’ connections in the international economy shape their preferences because firms engage in both exports and imports. If firms import inputs for final products, protection increases the costs of the final goods and disadvantages the firms’ competitiveness in its final market whether domestic or foreign. Since these firms tend to be “superstars”, it is easier for them to lobby alone than through industry associations (Johns, Pelc and Wellhausen, 2019). While the industry approach to trade policy aggregates the views of firms into a collective position, the firm-centered model acknowledges that not all firms, even in exporting industries, are capable of establishing international relationships or compete in foreign markets. As firms develop international connections, the investments of multinational corporations

alter the trade policy landscape through the influence of these firms and their connection to global value chains (Anderer, Dür and Lechner, 2020). The focus on industries conceals these international relationships with an industry, which also hides intra-industry divisions over trade policy (Milner, 1988*b*).

2.3.1.1 Firm Characteristics, Intra-Industry Trade, and Preferences

Firm preferences over trade policy are shaped by their characteristics rather than the features of industries (Osgood et al., 2017; Kim et al., 2019). However, firms vary significantly from their size, importance, connection to international networks, productivity, and more. Since firms vary, what matters for setting firm preferences in regard to trade? Krugman (1980); Melitz (2003) argue that differences in productivity lead firms to break from their associated industries, and only the most productive firms within an industry benefit from increasing trade liberalization. Entry into foreign markets comes with costs that only productive firms have the resources to export. The size of firms also influences their positions on trade policy with larger firms more supportive of trade liberalization and smaller firms likely to oppose it (Osgood, 2016). Additionally, larger firms possess the ability to diverge from the positions and actions of industry associations while smaller firms do not have the same ability to defend their interests alone (Osgood, 2017*b*). While firms with greater ties to global value chains are likely to develop preferences toward trade liberalization (Milner, 1988*b*; Osgood, 2017*a*), these greater international connections may be a result of increased productivity and creation of “superstar” exporting firms.

Intra-industry trade was not always the main feature of international trade. For the firm-centered model to apply, competition must be within industries between firms that produce different, yet similar, products. Osgood et al. (2017) argue that firms are the central actors in international trade as a result of two global developments: 1) Intra-industry trade is widespread and 2) firms differ in their ability to export. Madeira (2016) contends that intra-industry trade is the result of modern production - increasing returns of scale - and consumption - consumers’ love of variety. Firm heterogeneity and intra-industry trade are at the heart of the firm-centered model of trade politics because it creates competing interests

within industries.

International ties are an important factor when shaping the actions and preferences of firms, and supply chains expanded rapidly after 1960 with the expansion of international trade (Osgood, 2018). While the growth of supply chains and multi-nationalization of firms do not entirely account for the changes to international trade (Osgood, 2017*b*), these global ties are essential for creating connections that foster intra-industry by allowing firms to become both importers and exporters (Kim, Liao and Imai, 2020; Milner, 1988*b*). Thus, for firms to be at the center of trade politics, certain conditions must be present in the global trading system. If these conditions, such as firm heterogeneity, vast global supply chains, and product differentiation, are not present, the ability of firms to exhibit influence over trade politics may not occur because the evolution of the trade relationships between countries is unlikely to evolve into intra-industry trade. While supply chains may have begun to expand after the 1960s, trade relationships between states was largely dependent on trading dissimilar products rather than differentiated products within industries (Kim, Liao and Imai, 2020).

Beyond supply chains affecting the state of global trade, it also greatly influences the preferences of firms in trade politics. Firms still have preferences over tariffs, but trade politics extends to investment protection, dispute settlement procedures, and non-tariff barriers. Firms make investments in foreign markets to establish relationships and supply chains, which expands their preferences beyond the simple liberalization and protection dichotomy (Osgood, 2017*a*). Further, as product differentiation increases within industries, actions such as taxation and regulation can be focused on specific products (Johns, Pelc and Wellhausen, 2019). Because of the ability to target specific products to either create or hinder opportunities for firms, preferences are likely to vary based on the position of firms in global networks but also by their characteristics. For example, firms connected to global supply chains pursue investment protection as the most important aspect of trade policy; on the other hand, exporting firms outside of supply chains believe dispute settlement mechanisms are the most important for preventing disruptions to their trade flows (Kim et al., 2019). Differences between firms and their positions within the international trading system greatly impacts their preferences on issues that extend beyond liberalization and protection.

2.3.1.2 Firms and Lobbying

The firm-centered model acknowledges that firms' preferences vary over trade policy, which allows for firms to take opposing action compared to industry associations. Since different positions within the international trading system cause firms to focus on different aspects of trade policy, a unified position within an industry is even more difficult to achieve. The industry-centered approach largely views the struggle within industries over support for greater trade liberalization or protection. The firm-centered approach argues that preferences extend beyond liberalization or protection but includes dispute settlement procedures and investment protection (Kim et al., 2019). However, firms continue to diverge over their preferences over increased tariff protection within industries (Kim and Osgood, 2019). These competing preferences create challenges for industry associations to form a singular position, but with some firms possessing the ability to act alone, an alternative route to action over trade policy is available.

The rise of firm influence in trade politics is the result of intra-industry trade and product differentiation, which makes firms more likely to lobby on their own rather than through industry associations because of intra-industry disagreements (Osgood, 2017*b*). Product differentiation is a necessary condition for firm heterogeneity and intra-industry disagreements over trade liberalization (Osgood, 2017*a*). Firms can deviate from their industry's overall position because of product differentiation and firm heterogeneity due to intra-industry trade. Product differentiation within industries leads to disagreements about trade policy for firms (Osgood, 2017*a*). Pro-trade and protectionist firms exist in both net-importing and net-exporting industries while the largest firms in each industry tend to belong to the pro-trade coalition of firms (Kim and Osgood, 2019). Larger firms are better able to lobby individually for their own trade policy interests because of greater financial resources (Johns, Pelc and Wellhausen, 2019; Kim and Osgood, 2019; Osgood, 2017*b*). Intra-industry trade favors pro-trade firms because the exchange of products within the same industry establishes similar domestic political environments that are favorable to liberalization (Kim, 2017).

Lobbying is a costly activity that is undertaken when the expectation of benefits outweighs the costs (Hathaway, 1998; Madeira, 2016). The costs of lobbying may be higher for

firms when acting through industry associations especially if there is significant disagreement within the industry because of the need for compromise (Milner, 1988*a,b*). The cost of lobbying makes industry-based lobbying less likely in industries with higher intra-industry trade (Madeira, 2016). Nevertheless, collective action problems continue to exist despite the presence of intra-industry trade and product differentiation. The firms that are able to take political action alone tend to be pro-trade firms that seek further liberalization (Johns, Pelc and Wellhausen, 2019; Kim, 2017; Osgood, 2017*b*). Smaller, import-competing firms remain bound by collective action challenges in organizing because they tend to be more numerous than their pro-trade counterparts (Kim and Osgood, 2019). However, as pro-trade firms leave industry associations to lobby independently, the associations may become less active in trade politics and that provides increased incentives for import-competing firms to become politically active independently as well (Madeira, 2016). The question of how effective these smaller, protectionist firms are compared to their larger, pro-trade rivals is relevant since the protectionist firms lack the resources of “superstar” firms (Osgood et al., 2017) and size to break free from industry associations (Osgood, 2017*b*).

Gilligan (1997*b*) argues that seeking protection remains a private good and is devoid of collective action problems for firms. This is a significant shift in how lobbying is viewed from the industry level where political action is a public good since all firms benefit whether they are directly involved or not. Under intra-industry trade, the lobbying activity becomes highly concentrated at the product level rather than at the industry level (Gilligan, 1997*b*; Johns, Pelc and Wellhausen, 2019). The benefits of political action disproportionately benefit the lobbying firm and its specialized products; on the other hand, factor allocation (Stolper-Samuelson) and industry-centered (Ricardo-Viner) models argue lobbying benefits the entire class or all of the firms within an industry, respectively (Gilligan, 1997*b*). The concentration of gains from trade in a select few firms makes individual and collective action easier for pro-liberalization firms (Osgood, 2019). Intra-industry trade removes the burden of collective action from lobbying by allowing firms to focus their efforts on a specific variety of a product rather than the entire industry.

2.4 Institutional Focus

The institutional approach to setting trade policy argues that institutional rules, experiences, and the preferences of those in positions of power shape the options available. Certain groups or arguments may receive an advantage because of the narrative created by historical events or lobbying access as a result of institutions or laws. The other approaches - factor allocation, industry, and firm - argue that these factors influence setting trade policy; however, the institutional approach acknowledges that there are obstacles to successful lobbying outcomes.

2.4.1 Domestic Institutions, Ideas, and Political Actions

The United States's post-World War II trade policy largely focused on the creation and continuation of a liberal trade regime as evidence by its involvement in the creation of the General Agreement on Tariffs and Trade. The desire to pursue a liberal trading system stems from the stigma of past protectionism within the United States. The failure of the Smoot-Hawley Tariffs impacted the United States's trade policy in two key ways: 1) Shifted trade responsibility to the president instead of Congress and 2) created the environment for an alternative approach to trade (Goldstein, 1986). The Smoot-Hawley tariffs have been constructed to represent the negatives associated with protectionist policies. Specifically, the tariffs have been continually framed as one of the causes of the Great Depression, and this framing of protectionism aids in the continued implementation of liberal trade policies even during periods of economic crisis (Siles-Brügge, 2014; Strange, 1985). This narrative around the Smoot-Hawley Tariffs and the Great Depression delegitimized protectionism (Goldstein, 1986), which shapes how the United States thinks about available trade policies. This belief extends beyond the United States to Europe as well along with the idea that Europe's postwar economic recovery was the result of multilateral tariff reductions through the GATT (Strange, 1985).

Following the Smoot-Hawley Tariffs in 1930, the United States Congress passed the Reciprocal Trade Agreements Act (RTAA) in 1934. The RTAA revised how U.S. trade

policy was created and allowed the United States to expand international trade (Bailey, Goldstein and Weingast, 1997). The RTAA required reciprocal rather than unilateral tariff cuts as well as only requiring a majority of support in Congress. Beyond these changes, the RTAA delegated trade authority to the president and required reciprocal concessions from trade partners. Schnietz (2000) argues that one of the main motivations behind the RTAA was a desire to lock in low tariffs and prevent a return to high tariff rates. If the RTAA's success was solely a result of changing trade coalitions, investors and producer groups would not have believed the RTAA would help export-competing firms and harm import-competing firms protected by tariffs (Schnietz, 2003). However, Hiscox (1999) argues that these two changes do not account for the RTAA's survival despite protectionist pressures. Rather than delegation or mobilizing interests, the success of the RTAA was a result of changing trade policy coalitions that made both Democrats and Republicans supportive of liberalization. Ultimately, the RTAA shifted American trade policy toward greater liberalization.

Additionally, the delegation to the president is said to have limited the influence of protectionist interest groups by either mobilizing the interests of exporters or by undermining access to decision-making (Goldstein and Gulotty, 2014). Delegation to the executive was a means to insulate tariff reductions from protectionist pressures (Haggard, 1988). However, industries that were the most protected before retained their protection after the passage of the RTAA and the RTAA did not insulate Congress from lobbying pressures (Goldstein and Gulotty, 2014). Nonetheless, the RTAA's delegation to the president from Congress impacted how the United States created trade policy. The president's ability to bundle domestic and international tariffs through reciprocal cuts made low tariffs politically durable (Bailey, Goldstein and Weingast, 1997). The RTAA also increased trade flows, which shifted the focus to access to foreign markets for exporters from members of Congress. Trade policy delegation to the president was not only to lower American protection levels but also to reduce protection in foreign markets (Gilligan, 1997*a*). While delegating authority over trade to the president did not limit lobbying efforts in Congress, it did change the politics of setting tariffs. Presidents possessed the ability to control the agenda over trade and were able to choose when, with whom, and what products would be included in a trade treaty (Goldstein and Gulotty, 2014). Presidents were able to pick and choose products that limited

the mobilization of societal pressure and to maintain support for the continual renewal of trade agreement authority in Congress. Gowa and Hicks (2018) demonstrate that trade agreements negotiated under the RTAA did not produce a significant increase in aggregate imports into the United States but only significantly increased imports on goods on which the U.S. cut tariffs. The strategic and selective nature of presidents in selecting products to maintain congressional support for free trade constrained the impact of the RTAA, and it limited the flow of imports into the United States to those selectively included in treaties.

While the RTAA did not increase overall imports, the United States's participation in the GATT lowered tariffs on 88% of products and facilitated repeat concessions on the same products (Goldstein and Gulotty, 2014). Pressure for protection from imports continues to remain in the United States and the demands for protection cannot be ignored by policymakers (Goldstein, 1986). Because of the negative stigma around protectionism, assistance is likely to be mostly symbolic. Goldstein examines four types of protection: Escape clause, adjustment assistance, anti-dumping legislation, and countervailing duty legislation. Overall, few industries were excluded from tariff concessions and unable to increase their protection following a concession. Additionally, if industries appealed for protection, they received some compensation but not in the form or amount requested. While protectionist industries may outnumber pro-trade voices (Hiscox, 2001), the odds of success are limited for protectionist demands because of institutional constraints and beliefs. The institutional support for liberalization may account for why exporters do not mobilize to improve market access but to defend existing market access Dür (2007). Additionally, the RTAA altered incentives that made export-competing industries likely to organize and increased the costs of lobbying for protection while simultaneously decreasing the odds of success (Haggard, 1988).

The bias toward liberalization in the United States Congress also materializes in the form of who gets their voices heard. Lee and Osgood (2019) show that Congressional hearings strongly tilt in favor of pro-trade voices. First, party leaders are more supportive of trade and their members, and Congressional committee chairs tend to be more pro-trade as well. These institutional characteristics tilt Congressional hearings toward likely supporters of trade and minimize substantive discussions on negative implications of trade on producers, workers, industries, and regions. Because of the pro-trade preferences of committee chairs, hearing

lists favor the interests of pro-trade groups such as industries that are export-competing and engage in offshoring. While the United States Congress possess a liberalization bias, members may still deviate from this position. Owen (2017) shows that the vulnerability of legislators' constituents to offshoring makes legislators' more likely to oppose trade liberalization and discuss the ramifications of free trade.

Goldstein, Gulotty and Liu (2018) argue that U.S. trade policy has centered around three different frames. The first is market efficiency that emphasizes the role of tariffs and trade in economic growth. The second frame is distribution, which focuses on the uneven benefits of trade and its effect on labor and capital. Finally, the last frame is one of managed trade that focuses on the United States' response to other states' trade policies. For the authors, the changes in American trade policy do not reflect a complete change from protectionism to free trade; rather, it reflects a change in the ideas around trade. Depending on the dominate ideas and discussion frames at the time, institutional characteristics shape which firms, industries, or association groups can advance their interests politically.

2.4.2 International Rules, Domestic Institutions, and Trade Preferences

Depending on perspective, the RTAA fundamentally changed American trade policy (Bailey, Goldstein and Weingast, 1997; Hiscox, 1999) or it was only a slight revision (Goldstein and Gulotty, 2014; Gowa and Hicks, 2018). These two arguments focus on different issues. Domestically, the RTAA did change how the United States created trade policy and the interests of the actors involved in setting policy; however, the RTAA remained bound to the international rules and guidelines of trade that limited the law's ability to overhaul American trade policy. Both domestic and international institutions influence whether and how domestic and international factors matter in setting trade policy (Chorev, 2007). It is not sufficient to only examine trade policy from a domestic institutional perspective, but international institutional rules and norms affect the overall impact of domestic laws or actions.

One international rule that shapes trade policy and states' actions is the principal-supplier rule, which states that "each party to a negotiation will entertain requests for tariff

cuts only on goods it imports chiefly from its prospective treaty partner” (Gowa and Hicks, 2018). This likely only expands bilateral trade on a narrow set of products and countries that are principal suppliers of products. Further, the reciprocal agreement requirement for trade agreements in the RTAA required any concessions on import access to involve equal export gains in market access (Goldstein and Gulotty, 2014). Additionally, the international negotiation structure of item-by-item allowed countries to make demands and counter offers (Goldstein and Gulotty, 2014) while allowing states to “cherry-pick” concessions and avoid tariff reductions on products of politically powerful import-competing firms and industries (Gowa and Hicks, 2018). These international institutional rules and norms affected the RTAA’s influence over American trade policy despite the changes domestically.

Reciprocal trade negotiations fragment domestic coalitions on trade policy. Since not all firms are able to engage in export activity and reciprocal trade requires both more import competition and foreign market access. Industries become divided because import-competing firms prefer protection while export-competing firms lobby for greater liberalization and improved access to foreign markets. The RTAA’s requiring of reciprocal trade agreements is likely to have increased political lobbying among industries and firms since both protection and access are part of trade negotiations. States with narrow-interest institutions, such as the United States, allow more influence from interest group pressures, which allows for both high and low tariffs depending on the product (Betz, 2017). Domestic institutions affect which trade policy preferences are advantaged or disadvantaged.

While the number of protectionist interests may outnumber those in favor of free trade and institutions may possess a pro-free trade bias, protection for industries and products from the Smoot-Hawley tariffs continued to persist (Goldstein and Gulotty, 2014). Tariffs were lowered repeatedly on the same products likely because of a lack of political influence while products sensitive to import competition were able to express their political interests to avoid tariff concessions. Combining domestic and international institutions, protectionist interests possessed political leverage while reciprocal agreements and the principal supplier rule focused the list of products included in trade negotiations. Additionally, the negotiation structure used may influence which industries and firms have domestic influence. Gowa and Hicks (2018) argue that the item-by-item negotiation format allows states to avoid lowering

tariffs on politically powerful import-competing industries and firms while the alternative format, across-the-board, removes the ability to protect these important import-competing industries and firms. Similar to Goldstein and Gulotty, the RTAA only raised imports into the United States from the state that was the principal supplier to the United States. International and domestic institutions interact to shape which interests are politically advantaged in trade negotiations.

2.4.2.1 Lobbying and Institutions

Even though institutions may prioritize certain interests, the actors need to act politically to advance their preferences. Collective action problems remain a problem for lobbying and political action; however, institutions can alter the benefits and costs of collective action. Reciprocity concentrates the benefits of trade liberalization on export-competing interests through foreign tariff concessions and market access (Gilligan, 1997*a*). By concentrating benefits of liberalization, export-competing interests have the incentive to overcome their collective action problems, which creates greater political pressure for exporting preferences. However, Congress’s delegation of trade policy to the president may have “substantially reduced the probable impact of pressure groups” on American tariffs (Gowa, 1988). The composition of legislators’ constituencies also influences the extent that legislators are willing to delegate negotiation authority to the executive. Legislators with constituencies that are more export-competing are more likely to support granting fast-track authority to the executive compared to legislators from neutral or import-competing constituencies (Conconi, Facchini and Zanardi, 2012). While delegation domestically may reduce the success of lobbying, reciprocal trade agreements mobilize exporting interests (Gilligan, 1997*a*) as well as import-competing interests (Goldstein and Gulotty, 2014; Gowa and Hicks, 2018).

While export-competing interests are likely to be mobilized because of reciprocity in trade agreements, those interests are unlikely to be activated for every trade agreement (Gilligan, 1997*a*). Similar to Dür (2007), Gilligan argues that exporting interests are most likely to mobilize when their access to foreign markets is at risk. Export-competing interests were a key factor in the passage of the Trade Expansion Act of 1962 because of the concern of

losing access to the European market following the creation of the European Community's Common Agricultural Policy (Gilligan, 1997*a*). Protectionist interests were also engaged during the negotiation of the Trade Expansion Act, but these groups were largely appeased. This is similar to Goldstein (1986), who argues that because of the pro-liberalization bias in American institutions that protectionist demands will be appeased and not receive their full demands.

2.5 Public Opinion and Trade Policy

So far, the focus on trade politics has emphasized the industry and firm levels. Individual preferences may not differ from those of industries and firms. If individual preferences deviate from firms and industries, it could complicate deciding and implementing trade policy. Public opinion should also be influential in shaping the United States' trade policy. Politicians simultaneously face pressure from industries and firms in addition to their own constituents. In a discussion of setting trade policy, the role of public opinion formation as well as the influence of those opinions.

The same three explanations of how trade preferences - factor endowment, industry, and firm - are formed for non-individuals also applies to public opinion. The Heckscher-Ohlin/Stolper-Samuelson framework argues that factors move freely across industries and incomes vary by factor (Scheve and Slaughter, 2001). Since trade preferences are a result of whether a factor - land, capital, or labor - is an abundant factor, individuals involved in the abundant factor should support trade liberalization while those in scarce factors should be weary of increased liberalization. Jäkel and Smolka (2017) find individuals whose skills are in more domestically abundant factors possess more positive opinions toward free trade. Protectionist trade policies shift the income distribution to benefit individuals in domestically scarce factors while free trade benefits those in abundant factors. Further, individuals' levels of human capital (low- vs. high-skilled labor) influence whether individuals are supportive or not of trade (Mayda and Rodrik, 2005).

Education is often used to determine individuals' skill levels. Scheve and Slaughter

(2001) show lower skill levels are highly associated with support for protectionist policies while employment in industries exposed to trade is not correlated with support for protectionist policies. This framework suggests that trade preferences are primarily influenced by individuals' skill levels (Mansfield and Mutz, 2009). Support for protectionism from low levels of education (low skill) is interpreted as support for the factor endowment framework of policy preferences (Hainmueller and Hiscox, 2006).

There is some debate about whether individuals' levels of education actually reflect distributional concerns based on the factor endowment framework. While individuals with the lowest level of education are more supportive of protectionist measures, college-educated individuals tend to be more supportive of free trade, which could be the result of being exposed to economic ideas (Hainmueller and Hiscox, 2006). Exposure to economic ideas may be influential in changing public attitudes since most voters do not understand the economic consequences of protectionist policies (Rho and Tomz, 2017). Rather than distributional concerns, the differences between education may be the result of differing exposure to economic ideas that shape attitudes toward trade policy. Nonetheless, individuals with more education show more support for trade liberalization (Urbatsch, 2013). Beyond improving overall attitudes toward trade, economic knowledge improves opinions about specific trade policies such as outsourcing (Mansfield and Mutz, 2013). Information appears able to shift individuals' thinking about trade policy. Additionally, Mansfield and Mutz (2009) find that education is a reflection of concerns about out-groups rather than support for the factor endowment framework. Americans' trade preferences are shaped by perceptions about whether trade benefits or harms the overall national economy instead of self-interest. Americans support trade policies that are more likely to maximize the gains of in-group well-being over policies that benefit both in-group and out-groups (Mutz and Kim, 2017). Beyond perceptions of the overall economy, attitudes toward outsourcing are influenced by whether individuals benefited or were harmed. Individuals that benefited from outsourcing were more likely to have favorable views of these actions while those harmed did not (Mansfield and Mutz, 2013). Nonetheless, opposition to outsourcing is a result of "us" versus "them" perspective. Improving knowledge about the effects of trade may help individuals overcome the "us" versus "them" mindset by making people more responsive to the positions of others (Rho and

Tomz, 2017). Simultaneously, improved knowledge makes individuals more likely to express self-interested positions on trade. Improving knowledge about the effects of trade policy may not always shift opinions about trade policy because improved knowledge of trade does not affect attitudes toward trade when individuals are concerned about negative consequences (Bearce and Moya, 2020). The connection between education and trade preferences is not directly a result of distributional concerns with the role of information and in-groups in shaping individuals' trade preferences.

Unlike the factor endowment framework, the specific factors model (Ricardo-Viner) argues that trade preferences and income distribution are dependent on the industry of employment (Mansfield and Mutz, 2009; Scheve and Slaughter, 2001). Individuals in export-competing industries should possess more pro-trade opinions than those in import-competing industries. However, industry employment does not influence support for protectionism (Mansfield and Mutz, 2013; Scheve and Slaughter, 2001). Industry positions measured by tariff rates or net exports (see Scheve and Slaughter (2001)) are not correlated with protectionist opinions, but Mayda and Rodrik (2005) find that whether industries are engaged in trade or not influence attitudes toward trade. Individuals in non-trading industries tend to be the most pro-free trade compared to individuals employed in trading industries. Additionally, individuals in comparatively disadvantaged/import-competing industries possess the most protectionist attitudes toward trade.

In a test of the different trade models and public opinion formation, Urbatsch (2013) shows that the competing frameworks are not always consistent with public opinion formation. In regard to the specific factor model, Costa Rica is a net exporter of agricultural goods and a net importer in manufacturing goods, so individuals employed in agriculture should be more pro-trade while those employed in manufacturing should harbor more protectionist opinions. Urbatsch finds that ts with more manufacturing were more supportive of the Central America Free Trade Area while more agrarian districts were less supportive. The results indicate that industry employment may not drive trade preferences; rather, it is exposure to trade, which varies depending on types of firms.

As “new new” trade theory or intra-industry trade argues, not all firms are able to engage in exports and some firms participate in both imports and exports. Owen and Quinn (2016)

argue that the economic effects of trade is primarily the result of heterogeneous firms. The authors do not directly examine protectionist or pro-trade attitudes but examine support for government involvement through compensation. Intra-industry trade should divide industries based on firms productivity (Rho and Tomz, 2015). Employees of import-competing firms and domestically based exporting firms should support a leftward policy shift, or more government compensation, due to rising imports (Owen and Quinn, 2016). On the other hand, employees of export-competing firms should support a rightward policy shift, or less government compensation, because of increasing wages and job security. Domestically based exporting firms are unlikely to possess the global supply chains needed to be competitive internationally with exports (Kim et al., 2019). Thus, it is not factor endowments or industry employment that shapes options about trade policy, but the type of firm that individuals are employed.

Rho and Tomz (2015) examine all three frameworks and how they impact individuals' preference formation on trade policy. The authors find that none of the theories explain individuals' trade preferences. Regarding factor endowment and education, Rho and Tomz find that individuals are more willing to protect low-skilled industries than high-skilled industries regardless of education level. Additionally, industry employment did not affect individuals' support for protectionist policies; in addition, the productivity of individuals' employed firms did not affect attitudes toward protectionism.

2.5.1 Issue Salience and Individual Preferences

While the debate over how individual trade preferences are established continues, do individuals' attitudes affect trade policy? Much of the trade literature highlights the role of lobbying from industry associations and firms, but voter attitudes should influence the action on trade policy. Individual preferences, just like industries and firms, face competing pressures for both increased protection and liberalization. The competing demands place workers and consumers at odds. Workers are likely to demand protectionist policies to protect incomes and jobs (Owen and Quinn, 2016). On the other hand, consumers should demand increased liberalization to gain access to cheaper imports.

If increased liberalization is the result of consumer interests, tariffs should be low on highly consumed products. Betz and Pond (2019) find that consumer interests are not reflected in tariff levels and highly consumed products are protected by higher, rather than lower, tariff rates. Additionally, individual preferences on trade are not strongly influenced by lower prices; rather, preferences are shaped by coverage of employment costs and loss aversion (Bearce and Moya, 2020). While consumer interests are inherently a part of trade politics, it seems those interests and preferences are not reflected in actual policy or opinion formation.

One potential explanation for why consumer interests are not reflected in the low electoral salience of trade policy (Betz and Pond, 2019). The lack of importance leads consumers to not lobby for lower tariffs on heavily consumer products, which allows the preferences of industries and firms to supersede individual interests. Beyond consumers' interests, trade policy is of low salience for voters generally (Guisinger, 2009). This calls into question about the influence of individuals on trade policy outcomes. While the debate over individual preference formation rages on, it appears that those preferences play second fiddle to the interests of industries and firms.

2.6 Changing Nature of International Trade

Over time, the most important aspects of international trade have not remained constant. Trade and trade relationships between states evolve and create different interactions and challenges (Kim, Liao and Imai, 2020). While heterogeneous firms and intra-industry trade presently have a significant role in trade politics, this was not always the case for international trade. It is important to offer context when examining international trade as the characteristics of trade politics change and evolve.

Kim, Liao and Imai provide three types of trade relationships between states: 1) Sparse, 2) inter-industry, and 3) intra-industry trade. The authors show that countries engage in very limited trade originally and that those relationships revolve around comparative advantages. It is possible that these three trade relationships correspond with the three theories about

trade politics. For example, if sparse trade relationships center on comparative advantages, the factor endowment framework may correspond to these periods of international trade. Exports are likely to rely on abundant factors while imports compete against or disadvantage scarce factors. Under this relationship, peak associations for land, capital, and labor are source of pressure for trade policy outcomes.

The evolution of trade relationships not only changes the relationship between states, but it also alters domestic political composition and competition. The development from sparse trade to inter-industry trade evolve the politics around trade policy. Peak associations that dominate according to the factor approach fracture as industries become import- or export-competing and develop industry associations. Beyond industries becoming import- or export-competing, resources are not perfectly mobile across different industries. Machinery used to produce automobiles is not able to seamlessly shift to the production of textiles. The short-term immobility of resources leads to competition and divergent preferences across industries over trade policy. However, resource mobility is not fixed and varies over time.

With the rise of product differentiation within industries and a shift in consumer preference for variety, intra-industry trade became a key feature of the international trading system. The cost of international supply chains and global connections started to limit the types of firms that can compete in foreign markets. Not all exporting firms possess the resources or the ability to be competitive in export markets. Since not all firms are able to export, this creates further divergence in preferences within rather than across industries. Firms in the same industry start to prefer different trade policies depending on whether the firms are able to export or not.

Trade relationships are likely to vary by country dyads, so some dyads may reach the intra-industry trade stage while other dyads may still only engage in sparse trade. The variation in trade relationships indicates that no single trade theory framework will completely explain the international systems and trade policy. However, certain aspects of international trade may align more closely with a single framework. Because of the evolution in international trade as well as the international system, it is imperative to provide context for the environment that states are engaged in to better understand both the domestic and international pressures on trade policy.

2.6.1 Argument's Place in the Literature

This dissertation follows Milner (1988*a*) in adopting an industry-centered approach while simultaneously acknowledging the influence and importance of firms. The data collection focuses on two GATT rounds that span from 1960 to 1967. Osgood (2018) acknowledges that manufacturing supply chains expanded quickly after 1960. Globalization is a key component for intra-industry trade and it was in the early stages at this point. Additionally, trade relationships between states vary and change at different rates (Kim, Liao and Imai, 2020), and at this early stage of global supply chains, the preponderance of trade is unlikely to be intra-industry dyads. Additionally, capital mobility was low during the 1960s, which challenges the applicability of the factor endowment model (Hiscox, 2002; Ladewig, 2006).

My argument also speaks to the literature on the relationship between international institutions and states. Scholars have shown that international institutions can influence the actions, characteristics, and perceptions of their members (Gray, 2013; Mansfield and Pevehouse, 2006; Pevehouse, 2002). Within the international political economy literature, the rules of international institutions affect trade partners, the level of imports, and the size of tariff concessions (Goldstein and Gulotty, 2014; Gowa and Hicks, 2018). However, much of the literature examines how domestic institutions impact trade policy and lobbying access (Ehrlich, 2007; Goldstein, 2012; Kono, 2011; Milner and Rosendorff, 1997). Rather than examining how domestic institutions affect industries and firms, I examine the effect of international institutions on domestic actors in the United States' negotiations in the GATT. I build onto this literature by investigating how international institutions affect the influence of domestic actors. Much of the literature on international institutions examines how states design or change them based on their goals and interests (Jupille, Mattli and Snidal, 2013; Koremenos, Lipson and Snidal, 2001; Pelc, 2011; Rosendorff and Milner, 2001). By investigating the effect of international institutions on states, it can provide further clarification on bargaining outcomes and the influence of domestic actors in international bargaining outcomes.

The creation of international institutions resulted in the interdependence between domestic and international institutions. Since any international agreement must be approved

at both levels (Putnam, 1988), international institutions influence the actions of states. The question becomes how international institutions affect states' decisions. In the following chapters, I develop an argument about how the GATT's rules dictate the sequence of actions by domestic groups in negotiations and examine how that sequencing affected bargaining outcomes. This dissertation connects the institutional design and change literature to the literature on trade politics by bringing together domestic actors in trade politics and institutional settings.

2.7 Conclusion

Whether changes in trade policy are viewed from a factor, industry, firm, or institutional perspective, each is important for understanding and explaining the evolution of international trade. Viewing trade solely through one lens is going to obscure significant aspects of trade policy since the competing frameworks offer different conclusions to trade politics and the trade agreements that states conclude. The context of the international trading system also influences which framework is most influential in explaining trade politics because international trade is constantly evolving with different groups gaining and losing influence. International trade negotiations complexity has extended far beyond tariff preferences, which alters the interests of both domestic and international actors. However, that complexity is simultaneously affected by the environment that actors interact in. The relevance of domestic actors and the institutional setting of negotiations are both key aspects to fully understanding trade politics and bargaining outcomes.

3.0 Theory of Institutional Rules and Domestic Influence

In this chapter, I argue that international institutions shape the influence of domestic actors in international bargaining outcomes. The rules and structure of international organizations act similarly to those of domestic institutions in affecting lobbying and bargaining outcomes. Much of the literature accounts for the domestic factors that affect the success of lobbying by firms and industries while the international setting is often overlooked or an area for future exploration. International organizations have increasingly become influential in the international system whether it is through sizeable memberships such as the WTO or autonomous actions. Membership in international organizations commit states to the rules of these organizations and limits the actions available to states (Carnegie, 2015). The rules and settings of international organizations should also filter which domestic actors have the most influence during international negotiations. To test the argument, I examine changes to the General Agreement on Tariffs and Trade's (GATT) negotiation format. As changes to domestic institutions benefit and hinder the lobbying efforts of different actors, changes at the international level also alter domestic actors' influence over bargaining outcomes.

This chapter develops a theoretical argument about the role of international institutions in affecting the political influence of domestic actors on international trade negotiations. Specifically, I focus on the role of international institutions in shaping who receives the first-mover advantage in acting on their interests in trade negotiations. The international rules set the stage for how negotiations proceed. Afterwards, domestic actors operate within those guidelines when trying to influence bargaining outcomes. This chapter begins by examining the creation of the General Agreement on Tariffs and Trade (GATT) before analyzing the factors that lead to negotiation reform following the conclusion of the Dillon Round in 1962. The chapter concludes by offering a theoretical argument about the relationship between international institutions and domestic politics in international bargaining outcomes.

3.1 International Institutions and Bargaining Outcomes: Institutionalism and International Relations

Institutions are a fundamental part of politics and often influence outcomes by altering the available choices to actors. There is no single explanation for the effect of institutions; rather, different approaches to institutions offer a variety of answers about how institutions change actors' decisions. Three of the main approaches to institutions are historical, rational choice, and sociological (Hall and Taylor, 1996). However, within international relations, rational choice and sociological institutionalism have received greater attention than historical institutionalism, despite recent progress (Farrell and Newman, 2014; Fioretos, 2011). I briefly discuss these three approaches to institutionalism and their role in international relations before emphasizing the historical and rational choice approaches regarding the overlap between international institutions and domestic actors. Rational-choice and historical institutionalism is important for understanding institutional design and the role of institutions in shaping member state behavior. Further, these two approaches help to highlight the effect of overlapping institutions at the international and domestic levels.

Sociological institutionalism argues that institutions are not always the most efficient solution to problems. Rather, institutions reflect the cultural environment, whether of states or internationally (Hall and Taylor, 1996; Voeten, 2019). The cultural setting can consist of beliefs, myths, and symbols within a society. Regarding the GATT, the belief that protectionism set in motion the Great Depression led states to seek an institution to help ensure trade liberalization continued to progress. At the time of the creation of the GATT, the negative perception of protectionism was well established in the United States and Europe (Siles-Brügge, 2014; Strange, 1985). Ideas and beliefs shape institutional design preferences (Fioretos, 2011).

Rational-choice institutionalism, on the other hand, emphasizes strategic interactions and preference order (Fioretos, 2011; Hall and Taylor, 1996). Rather than institutions being based on the cultural environment of the time, institutions are designed to advance the interests and goals of states (Koremenos, Lipson and Snidal, 2001). When designing the GATT, the United States insisted on the item-by-item negotiation style to complement the

inclusion of the principal-supplier rule despite the advocacy for the linear approach by the United Kingdom (Gowa, 2015). Additionally, the GATT's protection of agriculture from liberalization was a result of the United States' interest in maintaining its own agricultural protection (Goldstein, 1993). Institutions are the result of states pursuing their own narrow self-interests to advance their goals. When designing or joining an international institution, states act to design and/or join institutions that advance their own preferences.

Historical institutionalism has, until recently, not received much attention within international relations (Fioretos, 2011). Unlike rational-choice institutionalism that addresses how institutions come into existence, historical institutionalism stresses how institutions affect behavior (Thelen, 1999). The founding and design of institutions shape and preserve power relations, have unintended consequences, and necessitate modest changes (Fioretos, 2011). Timing of events and the role of previous actions constrain or create opportunities for actors operating within institutions (Voeten, 2019). Institutions may not only maintain power imbalances, but also the ability of actors to act on and advance their preferences (Farrell and Newman, 2010). The design of institutions creates long-term effects that determine the ability of actors to advance their interests due to power imbalances within institutions. The strategic design of the GATT intended to lock-in the preferences of the United States (Irwin, 2011) as well as requiring applicant members to pay a higher price to existing member states in order to gain access to the organization (Allee and Scalera, 2012; Pelc, 2011).

A key issue with each of these institutional approaches is the lack of overlap between institutional levels. Farrell and Newman (2016) propose "the new interdependence approach" because of the rule overlap between national and international institutions. Due to the overlap of rules, it raises questions about which rules apply and the sequencing of when rules apply across the domestic and international levels. The sequencing of moves dictated by institutions converge when both domestic and international institutions coincide. Domestic sequencing affects which actors are able to advance their preferences domestically, which affects the actions states pursue at the international level (Farrell and Newman, 2010). Additionally, when states revise their rules domestically, those changes can lead other states to implement similar reforms or alter the actions of international organizations (Bach and Newman, 2007). The overlap between domestic and international institutions affects inter-

national outcomes by sequencing action at both levels and influencing which actors can act on their interests.

The new institutional approach views institutions as key sources of power asymmetry (Farrell and Newman, 2016). Additionally, sequencing is a vital aspect of institutional overlap since some actors have a power advantage that may come from the ability to act through institutions. The ability to act at both the international and domestic levels is a result of being favorably positioned to act based on the sequencing and power dynamics within institutions. As actors operate through institutions, feedback loops, as a result of institutions' restrictions and opportunities, reinforce preferences and power positions (Farrell and Newman, 2010). Examining the overlap of institutions at both the domestic and international levels provides a more robust picture of how institutions influence outcomes through their impact on actors. Reforms at the domestic or international level may alter interactions or require subsequent changes. These changes can fundamentally change the sequencing of actions. Examining institutions only from either a domestic or international setting ignores the connection and overlap across institutions and their combined influence on political outcomes. The sequencing of action through institutions determines which actors are in a position to act or respond, which shapes agendas and outcomes.

How and why international institutions are designed has a crucial role in shaping the actions available to member states. As historical institutionalism argues, how institutions are created and the implemented rules can have unintended consequences (Fioretos, 2011; Voeten, 2019). While rational-choice institutionalism argues that the creation of institutions is the result of bargaining and compromise as states seek to advance their own preferences and interests (Koremenos, Lipson and Snidal, 2001; Rosendorff and Milner, 2001). The design process creates inefficiencies and opportunities for institutions to deviate from the goals of the founding member states, which may motivate changes to institutions in the future. The changing nature of the world may also make the structure of the institution, as designed, in need of reforms to address new challenges and issues.

One approach to understanding how international institutions are designed is the rational functionalist approach. According to this approach, institutional design reflects efforts to effectively resolve common problems through international cooperation (Koremenos, Lipson

and Snidal, 2001; Voeten, 2019). The intentional design of international institutions shapes and frames how member states interact and what options are available to them (Carnegie, 2015; Copelovitch and Putnam, 2014; Keohane, 1984). The United States, in creating the rules for the GATT, used its position to further its own goals for trade liberalization while simultaneously protecting its domestic interests. In order to prevent a rapid expansion of product coverage and to protect domestic sectors, the United States preferred a bilateral negotiation framework for the early trade rounds (Irwin, Mavroidis and Sykes, 2008).

The framework of institutions can also limit the use of coercion between members since power is often associated with a greater ability to extract concessions from weaker states (Carnegie, 2014). The GATT's rules of MFN and reciprocity limit the ability of stronger states to coerce more concessions from weaker states. By limiting the influence of power, previously available strategies were no longer available to GATT members when negotiating with other members. Institutional rules allow states to credibly commit to agreements between members (Büthe and Milner, 2008; Koremenos, 2005; Maggi and Rodriguez-Clare, 1998; Mansfield and Pevehouse, 2008). The rules that govern international institutions limit the ability of states to renege on commitments made within the institutional setting. However, states can design institutions with escape clauses in case they are no longer able to maintain their commitments (Rosendorff and Milner, 2001). Escape clauses embed flexibility into the institution at the time of its creation.

However, the design and rules of international institutions are not fixed. Rather, institutional frameworks are susceptible to change during the life of the organization. The GATT's transformation in the World Trade Organization (WTO) depicts how institutions can drastically change over time (Jupille, Mattli and Snidal, 2013). As institutions change, the constraints on (or opportunities for) domestic actors also change. The focus is not why or how institutions change; rather, I emphasize the effect of institutional design on the influence of domestic actors in bargaining outcomes. I leverage the GATT's negotiating rounds immediately before and after the negotiation reform to examine how institutional design curtails or mobilizes the influence of various domestic actors.

3.2 Analytical Narrative: Creating and Reforming the GATT

The analytical narrative of institutional change in the GATT provides a historical context to institutional change by understanding the motivation for the negotiation reform. Institutional change can occur through a variety of paths, and the analytical narrative framework provides a useful setting to explore alternative explanations. The GATT's justification for the change to linear negotiations is because of the changing conditions of international trade.¹ Additionally, the United States and other member states were concerned about the influence of domestic interests in limiting the extent of the negotiations.²

This section provides a historical narrative of the creation of the GATT and the institutional change through negotiation reform. While my main argument is that institutional reform shifted power dynamics from export-competing to import-competing sectors, the changing domestic power dynamics may have facilitated the change in the GATT's negotiation framework. If protectionist interests gained influence domestically, import-competing sectors could have pressured governments to change the negotiation framework to give their interests first-mover advantage in negotiations. Since linear negotiations no longer required countries to submit concession request lists, the framework shifts the focus to product exemptions based on national importance, which prioritizes protectionist interests.

3.2.1 Creating the GATT

To understand the role of the GATT in trade negotiations, it is important to understand the GATT's creation and structure. The founding members of the GATT agreed to take steps to limit "restrictive business practices which restrain competition, limit access to markets or foster monopolistic control whenever such practices have harmful effects on the expansion of production and trade and the maintenance in all countries of high levels of real income".³ The initial design of the GATT provides the context and environment for the early negotiations and outcomes. As Koremenos, Lipson and Snidal argue, states design

¹"Conclusions of Meeting of Ministers." General Agreement on Tariffs and Trade, 30 November 1961.

²"Views of the United States Regarding So-Called Ecrtement and Other Proposals for Unequal Linear Reduction of Tariffs." General Agreement on Tariffs and Trade, 24 April 1963.

³Preparatory Committee of the International Conference on Trade and Employment, 2 November 1946.

international institutions with the intent of advancing specific goals and outcomes. To fully understand the GATT, its reforms, and its influence on domestic actors, it is important to analyze why the GATT was designed and how those decisions affected the influence of domestic actors.

The design of the General Agreement on Tariffs and Trade did not start from scratch; rather, its design stems from the United States' trade negotiation experience under the RTAA during the 1930s (Gowa, 2015; Irwin, Mavroidis and Sykes, 2008). At the time of its initial passing, the RTAA allowed the president to reduce tariffs by 50% in bilateral negotiations and unconditional most-favored-nation clause. However, the plans around the GATT expanded beyond the RTAA's structure. The initial discussions to create an international trade institution emphasized horizontal (across-the-board) tariff reductions instead of the RTAA's selective, product-by-product reductions. The efforts to implement horizontal cuts came from the United Kingdom (UK) and Canada (Irwin, Mavroidis and Sykes, 2008). The United States Department of State, led by Cordell Hull, eventually became persuaded by the UK's arguments and proposed horizontal tariff reductions for the GATT.

While those involved in designing the GATT agreed about the method for tariff reductions, the size of reductions led to disagreements. At a Commonwealth economic conference, Canada and the UK diverged on the size of possible concessions. Canada proposed a general 50% reduction, with a lower limit of 10%, and unbinding of existing preferential tariffs (Irwin, Mavroidis and Sykes, 2008). On the other hand, the UK proposed a more modest reduction of between 10-25% with a maximum ceiling of 25% (Irwin, Mavroidis and Sykes, 2008). The United States adopted a proposal closer to that of Canada with a proposal of 50%, a floor of 10%, and a five-year period to implement import quotas for industries that face increased imports.

Although the key states involved in negotiating the GATT's framework agreed on horizontal cuts, the United States Congress was not convinced that moving away from the selective, product-by-product framework of the RTAA was beneficial for domestic industries. The selective, product-by-product negotiation framework provided the ability to accommodate circumstances around each individual product to determine whether a concession could be

considered or not.⁴ The selective concession approach was designed to avoid tariff reductions that would adversely affect import-competing industries (Irwin, Mavroidis and Sykes, 2008). As a result of the United States Congress rejecting horizontal concessions, the United States proposed framework for the GATT involved bilateral, product-by-product negotiations with the principal supplier of products providing concessions and a generalization of reductions through most-favored-nation (Irwin, Mavroidis and Sykes, 2008). The principal supplier rule states that countries were expected to consider offering concessions only on products of which it was the principal supplier.⁵ The United States Congress's insistence for the inclusion of the principal supplier rule necessitated the selective, product-by-product negotiation structure (Gowa, 2015).

An additional initial design feature of the GATT involved the status and role of agricultural products. The United States heavily subsidized its agricultural industry, which created powerful domestic interests to maintain that level of protection (Goldstein, 1993). The strength and importance of the agricultural industry forced Congress to limit the United States' ability to pursue tariff concessions on agricultural imports and the United States' ability to use import restraints to protect the farm industry (Goldstein, 1993). The United States' desire to continue to protect its agricultural industry led to the GATT allowing agricultural protectionism during trade negotiations. Additionally, out of Congressional Republicans' fears over import competition, an escape clause was added to the GATT that allowed members to reverse tariff concessions if imports caused or threatened serious injury to domestic industries (Irwin, Mavroidis and Sykes, 2008).

The initial GATT design reflected concerns over import penetration and protection for import-competing industries. The United States' intentional efforts to design the GATT to protect its important domestic industries dictated the interactions of member states in the present as well as the future. However, as Farrell and Newman (2016) argue, rule overlap creates uncertainty around which rules apply and when. The United States included rules that would limit import competition for domestic industries in bilateral settings, but international institutions determine the sequencing of events in negotiations. Through institutional

⁴Preparatory Committee of the International Conference on Trade and Employment, 21 November 1946.

⁵Preparatory Committee of the International Conference on Trade and Employment, 21 November 1946.

overlap, rules offset or intensify advantages. Advantage via one institution may be mitigated by another institution where interactions begin. The sequencing of institutions is important for examining the path of actions and which rules apply at a given moment.

3.2.2 The First GATT Round: Geneva 1947

The GATT was intended to be part of the International Trade Organization, which would enforce the tariff reductions from the GATT and regulate all aspects of international trade (Goldstein, 1993; Irwin, Mavroidis and Sykes, 2008). The United States initially invited a small “nuclear” group⁶ to participate in the trade negotiations, but 23 states would eventually be involved in the GATT’s first round of trade negotiations (Irwin, Mavroidis and Sykes, 2008). The first Geneva round experienced a few threats to the negotiation and international cooperation.

When the United States presented the list of products it was willing to offer concessions on, the other participating countries were unimpressed despite the United States’ willingness to negotiate over domestically sensitive products such as zinc, woolen textiles, cotton textiles, rubber, and tin (Irwin, Mavroidis and Sykes, 2008). One issue that almost caused Australia and other British Commonwealth countries to leave the negotiations was the United States’ exclusion of raw wool from its list of products to negotiate reductions. Despite domestic pressures to not reduce tariffs on wool, President Truman authorized a 25% reduction to allow the negotiations to proceed (Irwin, Mavroidis and Sykes, 2008). Despite the domestic importance of the wool industry, the United States needed to offer tariff reductions in order for negotiations to advance and achieve reductions to benefit domestic exporters.

The first Geneva round involved 23 countries⁷ that made around 123 bilateral agreements reducing tariffs on over 45,000 products (Irwin, Mavroidis and Sykes, 2008). The United States received important concessions that included machinery, refrigerators, electri-

⁶The originally invited group of countries includes Australia, Belgium, Brazil, Canada, China, Cuba, Czechoslovakia, France, India, Luxembourg, the Netherlands, New Zealand, South Africa, and the United Kingdom. The Soviet Union did not respond to the original invitation, and the United Nations requested the inclusion of Chile, Lebanon, and Norway (Irwin, Mavroidis and Sykes, 2008, p. 72).

⁷Australia, Belgium, Brazil, Burma, Canada, Ceylon, Chile, Republic of China, Cuba, Czechoslovak Republic, France, India, Lebanon, Luxembourg, Netherlands, New Zealand, Norway, Pakistan, Southern Rhodesia, Syria, South Africa, the United Kingdom, and the United States (Irwin, Mavroidis and Sykes, 2008, p. 101).

cal apparatus, office machinery, motor vehicles, fruit, tobacco, and lumber.⁸ Tariff reductions on American automobiles were reached with almost every participating country, and additionally, received reductions on electrical appliances, radios, and agricultural machinery.⁹ On the other hand, the United States had to offer significant concessions on its own tariffs. For example, the United States agreed to concessions on cattle, softwood lumber, wool, glassware, and perfumes.¹⁰ Specifically, some of the important reductions that the United States agreed to included 25% on wool, 40% on Scotch and Canadian whiskey, 50% on beef and veal, and 50% on cooper.¹¹ The United States also agreed to 25% reductions on woolens and worsteds but with the ability to increase tariffs if imports increase above 5% of United States' production.¹²

The reaction to the first Geneva round of the GATT was not entirely positive within the United States. Congressional Republicans threatened the renewal of the RTAA due to the level and extent of tariff reductions that the United States agreed to during the negotiations. The chairman of the Senate Finance Committee, Eugene D. Millikin, argued that Congress may need to include language into the RTAA to prevent the United States from reducing tariffs below a 'peril point' for industries to be determined by the Tariff Commission or another agency.¹³ Despite protests from affected industries, the United States, nonetheless, agreed to the significant tariff reductions that Senator Millikin said "would be catastrophic" for import-competing industries such as copper, livestock and its products, metals, and agricultural products.¹⁴ In the lead up to the first Geneva round, President Truman anticipated strong pushback from import-competing industries and protectionist politicians to which he responded with "I am ready for it" (Irwin, Mavroidis and Sykes, 2008, p. 84). Despite the use of selective, product-by-product negotiations that were intended to favor import-competing industries (Goldstein and Gulotty, 2014; Gowa and Hicks, 2018), the United States agreed to

⁸"U.S. Tariff Schedule Revised Downward by Trade Pacts to be Signed in Geneva Today", *The Wall Street Journal*, 30 October 1947.

⁹"Tariff Cuts Affect 60% of the U.S. Trade in 23-Nation Pact", *The New York Times*, 18 October 1947.

¹⁰"Geneva Agreement", *The Washington Post*, 18 November 1947.

¹¹"Tariff Cuts Affect 60% of the U.S. Trade in 23-Nation Pact", *The New York Times*, 18 October 1947.

¹²*Ibid.*

¹³"Threaten to Curb Reciprocal Pacts: Millikin and Knutson Predict Strings on Extension in Light of Geneva Accord", *The New York Times*, 20 November 1947.

¹⁴*Ibid.*

tariff reductions that would noticeably increase imports from the other participating countries.¹⁵

3.2.3 Reforming the GATT's Negotiation Format: Dillon and Kennedy Rounds

The decision to reform the GATT's negotiation framework originated prior to the start of the Dillon Round in 1960. The European Economic Community (EEC) proposed a linear reduction of 20% on all items under its common tariff if other countries reciprocated. The United Kingdom supported the proposal, but the United States was unwilling because of concerns about violating domestic peril points provisions (Irwin, 2017). The Dillon Round proceeded under the existing item-by-item framework, which was dictated in the reauthorized RTAA. Beyond the pre-Dillon Round reform efforts, the GATT's interest in linear reductions extends back to the institution's founding.

At the end of the Dillon Round, it was clear that the GATT needed to reform its negotiation framework. According to Hoda (2018), there were two main motivations for adopting the linear approach: 1) The item-by-item approach's limited tariff reductions and 2) the increase in GATT members and participating states. A key factor why the item-by-item approach only provided limited tariff reductions was that the framework was no longer appropriate for international trade negotiations. In a press release for the Conclusions of the Meeting of Ministers, it was stated, "while the traditional GATT techniques for tariff negotiations on a commodity-by-commodity and country-by-country basis had produced substantial results, both in the past and during the present tariff conference, they were no longer adequate to meet the changing conditions of world trade."¹⁶ In a statement by the Executive Secretary in the Working Party on Tariff Reduction, the changing conditions of world trade are described as "the more basic structure and technological factors which have to be borne in mind in forming a judgment as to the adequacy of commercial politics in relation to prevailing conditions,"¹⁷ which include production innovation and no longer relying on

¹⁵ "U.S. Tariff Schedule Revised Downward by Trade Pacts to be Signed in Geneva Today", *The Wall Street Journal*, 30 October 1947.

¹⁶ "Conclusions of Meeting of Ministers." General Agreement on Tariffs and Trade, 30 November 1961.

¹⁷ "Statement by the Executive Secretary in the Working Party on Tariff Reduction." General Agreement on Tariffs and Trade, 12 December 1962.

natural resources for economic growth. Despite the early successes in tariff reductions, the conditions of international trade outpaced the GATT's initial design.

The United States commented on the item-by-item framework following the conclusion of the Dillon Round and said, "it is no longer an adequate technique for attaining the maximum liberalization of world trade."¹⁸ Item-by-item limits the scope of negotiations especially when states withheld "important concessions on particular products by one country makes other countries unwilling to make concessions in the same area."¹⁹ The item-by-item approach had initially been designed by the United States to achieve the particular outcome that the United States claimed to be hampering GATT tariff reductions (Irwin, Mavroidis and Sykes, 2008). The United States argued that domestic pressures led states to protect products that would have been included under a linear framework.²⁰ Despite its claim that withholding important concessions from negotiations hinders liberalization, the United States protected its agricultural industry during GATT negotiations (Goldstein, 1993; Irwin, Mavroidis and Sykes, 2008). Wyndham-White (1975), the first director-general for the GATT, acknowledged that domestically important sectors could mobilize political support to prevent concessions during GATT negotiations. The item-by-item structure's reliance on principle suppliers' willingness to offer reciprocal concessions restricted the GATT's ability to significantly reduce tariff levels (Hoda, 2018). This is one of the main reasons for supporting the institutional change to a linear framework because of the expected expansion of products covered and limiting the role of protectionist, domestic influences. Under the item-by-item framework, the United States could avoid negotiating on certain products because of peril-point conditions, which are products in import-competing sectors that experience high volumes of import competition or are sensitive to import competition. Peril-point distinction allowed the United States to avoid negotiating on specific domestically sensitive products. The United States concluded that tariff reductions on these products should be of interest to countries in the GATT that export the products because it would open up the United States market.

¹⁸"Views of the United States Regarding So-Called Ecrtement and Other Proposals for Unequal Linear Reduction of Tariffs." General Agreement on Tariffs and Trade, 24 April 1963.

¹⁹Ibid.

²⁰Ibid.

Given the changing nature of international trade, the United States' criticism of the item-by-item approach and increasing frustration with the limited progress on tariff reductions, the GATT committed to examining alternative negotiation structures. The proven success of linear reductions in the EEC and the European Free Trade Association (EFTA) "demonstrated the practicability of this (linear) approach."²¹ The agreement regarding the linear framework was that states should aim for a maximum concession of 50% and a limited exemption list. For a product to be exempted from negotiations, products "must be in respect only of specific items where there are compelling grounds of national importance."²² Participating states could add products to their exemption list for social and political reasons that include declining industries, depressed areas, small economy of scale problems, and negative effects on low incomes (Hoda, 2018). Additionally, participating states could invoke statutory requirements such as existing escape clause conditions and limited negotiating authority from domestic legislatures as reasons for exemptions (Hoda, 2018). As a way to achieve greater tariff reductions, the GATT urged member states to not view tariff concessions as sacrifices and that liberalization is in the national interest.

The inclusion of the item-by-item negotiation format was a deliberate choice by the United States to protect specific domestic industries from increased import competition. However, the decision to reform the negotiation format materialized inside of the GATT as member states became increasingly frustrated by the lack of progress on tariff reductions. The United States, the main proponent of the selective item-by-item approach, became frustrated with the lack of progress and applicability of the negotiation structure due to the changing nature of international trade. The selective item-by-item approach was criticized for being susceptible to domestic political pressures. The linear approach was argued to limit the influence of political pressure from import-competing industries.

²¹ "Procedures for Tariff Reductions: Note by the Executive Secretary." General Agreement on Tariffs and Trade, 8 October 1962.

²² "Working Party on Procedures for Tariff Reduction: Record of Points Examined at the Meeting of March 1963." General Agreement on Tariffs and Trade, 2 April 1963.

3.2.4 Explaining the GATT's Negotiation Reform

The GATT's decision to reform its rules for trade negotiations stems from a growing frustration with limited progress on tariff reductions (Irwin, 2017). Negotiation reform at the international level required domestic changes in the United States, which further highlights the influence of institutional overlap. Under the existing RTAA framework that governed U.S. involvement in trade negotiations, the GATT would have been unable to implement the across-the-board structure. The RTAA required trade negotiations to be on an item-by-item basis and did not authorize the United States to offer across-the-board concessions (Irwin, 2017). Additionally, when the EEC proposed 20% concessions in the Dillon Round, the United States could have agreed to match the offer, since the RTAA allowed up to 20% concessions, but negotiators were concerned about violating the peril points provision for concessions and the associated domestic political cost to such reductions (Irwin, 2017). In order for the GATT to reform its negotiating procedure, the United States, first, needed to implement new rules governing trade negotiations.

The new Kennedy administration decided not to seek another re-authorization of the RTAA following its expiration in 1962 at the close of the Dillon Round but to pursue new trade authority. The Trade Expansion Act (TEA) of 1962 was required in order for the GATT's Kennedy Round to proceed under a negotiation format other than item-by-item. While support or opposition to the Trade Expansion Act may not directly connect with opinions on GATT negotiations, across-the-board reductions were included in TEA, which would allow the GATT to no longer employ the item-by-item negotiation format. In order to interpret the impact of negotiation reform, it is important to account for whether export- or import-competing industries lobbied for or against revisions that would affect GATT negotiations.

The Kennedy administration requested the ability to make across-the-board concessions of up to 50%, removal of peril points, and a scaled-down role for the Tariff Commission in examining the impact of tariff concessions on domestic industries to be included in the Trade Expansion Act (Irwin, 2017). Import-competing industries needed to be appeased to prevent opposition in order for the Trade Expansion Act to pass. Rather than the escape clause

procedures of the RTAA that allowed the United States to revoke concessions that harmed domestic industries, TEA proposed trade adjustment assistance to offset the impact of tariffs (Irwin, 2017). The adjustment benefits were a key component of overcoming opposition to TEA. The AFL-CIO president, George Meany, stated that across-the-board reductions and adjustment benefits were “inseparable” and the AFL-CIO would not support one without the other (*Congressional Action on President’s Trade Bill*, 1963). However, the textile industry was the largest challenge to the passage of the Trade Expansion Act but was appeased through an agreement to set quantitative limits on textile imports into the United States (Irwin, 2017). President Kennedy, additionally, accepted the Tariff Commission’s recommendation for escape clause relief that significantly raised tariffs on woven carpets and flat glass to further ensure support for the passage of the Trade Expansion Act (Irwin, 2017).

Despite increasingly protectionist attitudes in the United States with important domestic actors adopting more restrictive trade preferences, the emergence of the European Economic Community in 1957 caused growing concerns about access for U.S. exports to Europe. The goal of the renegotiated RTAA in 1958 was to help minimize the impact of the elimination of tariffs within the EEC on U.S. exports (Irwin, 2017). The Dillon Round was in response to the creation of the EEC, but the outcome of the negotiations did reduce tariffs enough to remove the concerns of export-competing industries over access to Europe.

The Trade Expansion Act was a solution to benefit U.S. exports and to reduce tariff levels globally. The United States acknowledged that its exports no longer dominated global markets and that greater leeway in negotiations was required to “prevent such a radical exclusion of American goods” referring to the creation of the EEC.²³ Additionally, the changes to the United States’ trade policy through the Trade Expansion Act are a drastic reversal away from protectionist policy.²⁴ The changes to benefit export-competing industries provoked critiques from import-competing interests. The President of the Trade Relations Council, James A. Ashley, stated that the removal of escape clause claims and peril points provisions ‘put domestic industry in an impossible position’ in trade negotiations (*Congressional Action on President’s Trade Bill*, 1963). Additional opposition to the Trade Expansion Act was

²³ “America’s Historic Choice.” *The New York Times*, 26 January 1962.

²⁴ “Beginning of a New Era.” *The Washington Post*, 20 September 1962.

from the Cycle Parts and Accessories Association, Domestic Clock, Watch, and Time Manufactures, Beverage Machinery Manufactures Association as well as the Electronic Industries Association and the chemical industry (Chase, 2005; *Congressional Action on President's Trade Bill*, 1963). In 1964, President Johnson claimed that the Trade Expansion Act led to record exports and that the United States is willing to offer access to American markets with reciprocal access²⁵

Entering the Kennedy Round, the United States' objective was to reduce the EEC's external tariffs to advantage U.S. exports to Europe (Irwin, 2017). Politicians in the United States were concerned about the access of exports into Europe and whether the United States received enough concessions during negotiations (*Trade Policies and the Kennedy Round*, 1967). The Special Representative for Trade Negotiations, William Roth, assured Senators that the United States would reject the Kennedy Round outcome if "overall reciprocity" was not achieved or "enlarge foreign markets for the products of the United States agriculture, industry, mining, and commerce" (*Trade Policies and the Kennedy Round*, 1967, p.2). Still, U.S. politicians were concerned about import-competing industries. Senator Dirksen, in a question to Roth, stated, "During the period 1956 to 1966, U.S. imports have increased over 100 percent while our exports have increased only about 50 percent" (*Trade Policies and the Kennedy Round*, 1967, p.35). The Kennedy Round did not break through the EEC's agricultural protection despite agricultural goods being a major U.S. export (Irwin, 2017; *Trade Policies and the Kennedy Round*, 1967).

In order to understand the institutional changes at the GATT, it is imperative to examine the necessitated reforms in the United States. The differences between the Reciprocal Trade Agreements Act and the Trade Expansion Act benefit export-competing interests while fundamentally reshaping import protection away from tariffs to adjustment assistance. The changes in the United States and the GATT aimed to benefit export-competing interests by creating more flexibility to lower tariffs during negotiating rounds. Although attitudes in the United States were becoming more protectionist, export-competing interests dominated trade politics at the time of the Trade Expansion Act and the Kennedy Round.

²⁵ "Johnson Hails Trade Plan and Cites Record Exports." *The New York Times*, 24 September 1964.

3.2.5 Shifting Domestic Influence to Import-Competing Interests

Unlike the selective item-by-item negotiation approach that began by states submitting request lists, the linear approach starts with states submitting their exemption list before the start of the negotiating round.²⁶ The percentage of imports exempted for some of the major participating states includes 19% of imports for the EEC, 8% for the United States, 9% for Japan, and 4.7% for the Kingdom.²⁷ By prioritizing exemptions before the start of negotiations, import-competing industries were placed at the forefront of the negotiating process. These industries used their domestic influence and first-mover advantage to seek exemption from negotiation during the Kennedy Round.

The United States experienced a significant number of exemption requests from industries to have their products excluded from Kennedy Round negotiations.²⁸ The United States entered the Kennedy Round with goals to achieve reductions of 50% on industrial products, increased inclusion of agricultural goods, and the removal of non-tariff barriers.²⁹ Unlike under the item-by-item format, export-competing interests were no longer in the privileged position of dictating the direction of negotiations despite negotiating reform prioritizing export-competing interests. Since import-competing interests possessed the first-mover advantage, Kennedy Round negotiators had to defend their country's exemption list while simultaneously trying to reduce other members' exemptions.³⁰ Export-competing interests were required to respond to import-competing actions rather than setting the negotiation agenda. The change in negotiation format was intended to increase the number of included products and the size of tariff reductions by removing the selective framework, but the institutional reform shifted the initial focus toward product exclusion rather than inclusion.

The GATT member that demonstrates the shifting influence toward import-competing interests is the European Economic Community. EEC countries faced significant pressure from domestic industries for exemption. The largest farm lobby, Committee of Professional

²⁶Dale, Jr., Edwin L. "Tariff-Cut Talks Nearing a Crisis." *The New York Times*, 19 October 1964.

²⁷Dallos, Robert E. "The Kennedy Round: Many Obstacles Stand in Way of Successful Tariff-Cutting." *The Wall Street Journal*, 27 November 1964

²⁸Dale, Jr., Edwin L. "Tariff-Cut Talks Nearing a Crisis." *The New York Times*, 19 October 1964.

²⁹Keatley, Robert. "Protectionist Europe: Common Market Farm Pact Intensifies Threat to World Tariff Talks." *The Wall Street Journal*, 6 January 1964

³⁰Dallos, Robert E. "The Kennedy Round: Many Obstacles Stand in Way of Successful Tariff-Cutting." *The Wall Street Journal*, 27 November 1964

Agricultural Organizations, in Europe opposed greater liberalization in agricultural goods while industries such as steel, clothing, rubber, automobiles, and paper and pulp all sought exemption from the Kennedy Round or special favors from the EEC.³¹ Beyond industry pressures, the EEC struggled to agree on how many products to exclude and which products with countries such as Italy and France arguing for more exemptions and Germany advocating for a more limited list.³² Ultimately, the EEC's list included products such as trucks and commercial vehicles, nuclear reactors, aluminum, steel tubes, and some paper products, and the exemption list was divided into three different types.³³ The EEC's list included about 10% of its imports under the category of complete exemptions, which were not subject to any tariff reductions during the negotiation round.³⁴ The second category of exemptions was partial, which included a fifth of the remaining 90% of imports.³⁵ The final category of European exemption was conditional, and the products would be excluded unless other members made a product or industry available for reductions.³⁶

Due to the GATT's change to linear reductions with exemptions, import-competing industries were able to dictate the start of negotiations rather than export-competing industries. The linear negotiation format mobilized import-competing industries to lobby domestically for exclusion via exemption lists. While the item-by-item approach allowed states to be selective with their offers, it mobilized export-competing interests to lobby for governments to request concessions on specific products. The first mover in negotiations sets the agenda. In the case of the GATT, either import- or export-competing interests were mobilized at the start of negotiating rounds depending on who starts the negotiating process. The Kennedy Round could not begin until the GATT members submitted exemption lists, which allowed import-competing interests the chance to domestically lobby first.

³¹Keatley, Robert. "Protectionist Europe: Common Market Farm Pact Intensifies Threat to World Tariff Talks." *The Wall Street Journal*, 6 January 1964

³²"6-Way Trade Talk Unable to Settle on Tariff Choices." *The New York Times*, 13 November 1964

³³O'Toole, Edward T. "Kennedy Round of Tariff Talks Will Open Today." *The New York Times*, 16 November 1964

³⁴Ibid.

³⁵Ibid.

³⁶Ibid.

3.3 Theoretical Argument: First-Mover Advantage and Institutions

International negotiations shape international relations as any decision made by multiple states is the result of bargaining and compromise. Negotiations follow structured frameworks and rules, especially within international institutions, that shape and dictate the bargaining process and outcome. Much international relations literature examines what influences states' actions and bargaining positions from domestic constraints, future interactions, and power asymmetries (Bagwell, Staiger and Yurukoglu, 2020; Elms, 2006; Fearon, 1998; Simmons, 2014; Wagner, 1988). Outside of the impact of states on negotiations, the design and reforms of international institutions fundamentally shape the bargaining process and outcome (Gowa and Hicks, 2012, 2018; Gowa and Kim, 2005). In the following section, I develop a theoretical argument about how institutional design affects the influence of domestic actors on international bargaining outcomes. I argue that negotiation structures and rules dictate first-mover advantage to domestic actors based on which interests act first during international negotiations.

The structure of negotiations shapes how the process unfolds and which groups have influence and when. Prior to the start of negotiations, domestic actors mobilize to influence initial bargaining positions. Domestic actors that can successfully lobby prior to the initial proposal have the ability to set the negotiation's agenda and influence the potential bargaining direction. The rules and procedures of international institutions have the ability to alter the initial proposal through which domestic actors are advantaged.

Domestic institutions may shape which lobbying efforts are the most likely to gain traction with states' negotiators. In the United States, there is a bias toward supporting export-competing interests that favor trade liberalization (Goldstein, 1986; Siles-Brügge, 2014; Strange, 1985). International institutions may either complement or contrast with the biases of domestic institutions. When the institutions align, it compounds the influence of the advantaged domestic actors while drastically limiting the political power of competing interests. However, international institutions may be able to mitigate the preferences of states when domestic and international institutions do not align. One way that international institutions activate different domestic actors is through which actors move first in negotia-

tions. Specifically, the format used in negotiations may prioritize the interests and influence of certain domestic actors and relegate other actors as second movers and responding to initial proposals. Bargaining outcomes are the result of interactions between domestic and international institutions and the result of sequencing due to rule overlap across institutions (Farrell and Newman, 2016). If negotiations occur within international institutions, its rules and procedures shape the bargaining interactions. States must operate within the rules of the international institution that guide the bargaining process and determine the influence of domestic actors.

To examine how international institutions alter the influence of domestic actors, I analyze negotiation reform in the GATT between the Dillon Round (1960-1962) and the Kennedy Round (1964-1967). The reason that I focus on the GATT's negotiation reform is that it isolates change at the international level and the significance of institutional sequencing during negotiations. Further, the desire for negotiation reform at the GATT dictated revisions to the United States' trade policy to remove the requirement of the item-by-item approach. The United States was pushing new legislation to allow it to participate in linear negotiations, which without would have required further item-by-item negotiations. While the changes to U.S. law occurred simultaneously as the reform to the GATT's negotiation rules, the domestic changes were a result of interests at the international level.

Under RTAA extensions, the maximum tariff concession was capped at 20%; however, the Trade Expansion Act of 1962 increased the maximum concession to 50% to correspond with the new target for tariff reductions in GATT negotiations. The domestic trade policy changes in the United States favored export-competing interests while restructuring import relief for import-competing industries (Irwin, 2017). The negotiation reform at the GATT goes beyond increasing the maximum tariff concession to fundamentally altering how negotiations occurred at the GATT.

3.3.1 International Institutions and First-Mover Advantage

International institutions are similar to domestic institutions in that different institutional features benefit as well as hinder successful lobbying efforts. Domestic institutions

create competing pressures from veto players (O'Reilly, 2005; Tsebelis, 2002), biases and myths (Goldstein, 1986; Siles-Brügge, 2014; Strange, 1985), personal incentives (Conconi, Facchini and Zanardi, 2012; Grossman and Helpman, 1994; Rogowski, 1987), and institutional constraints (Ehrlich, 2007; Gilligan, 1997*a*; Gowa, 1988). International institutions foster similar challenges for domestic actors attempting to achieve their desired bargaining outcome. Rules create competing interests and shape the influence of domestic actors in negotiations. The rules of the GATT - reciprocity, principal-supplier rule, most-favored-nation status, and negotiation format - create competing incentives for states to pursue concessions or not during negotiations (Goldstein and Gulotty, 2014; Gowa and Hicks, 2018).

I argue that the different negotiation structures - item-by-item and linear - used by the GATT changed which domestic actors possessed first-mover advantage during trade round negotiations. The ability to act first allows actors to set the agenda of the negotiations and requires other domestic actors to respond. Because actors have different, sometimes competing, interests, the first-movers dictate how other countries and competing domestic actors have to respond. The ability to advance interests first, whether for increased protection or liberalization, should increase the likelihood of first-movers achieving their desired outcome.

Trade negotiations revolve around included products and new tariff rates.³⁷ Domestic actors, whether firms, industries, or peak associations, with first-mover ability attempt to direct the focus of negotiations toward their interests. Export-competing interests, as first-movers in negotiations, want to improve their access to foreign markets. While Dür (2007) argues that exporter interests mobilize when access to foreign markets is threatened and not to improve market access, GATT rounds are events that provide significant opportunity to expand market access compared to bilateral or smaller multilateral trade negotiations. American exporting interests were concerned about access to foreign markets during the Dillon and Kennedy rounds (Irwin, 2017). On the other hand, import-competing interests, as first-movers, want to protect against greater import penetration into domestic markets. Based on which domestic group is able to set the agenda, negotiations proceed down signif-

³⁷Trade negotiations have evolved beyond product inclusion and tariff rates to include investment protections, dispute mechanisms, intellectual property rights, and labor standards to name a few. However, product inclusion and tariff rates are still a core aspect of negotiations as highlighted by the Japan and the European Union trade agreement, the TPP, and the USMCA. Product inclusion and tariff rates were the central focus in the early GATT rounds (see Goldstein and Gulotty; Jupille, Mattli and Snidal)

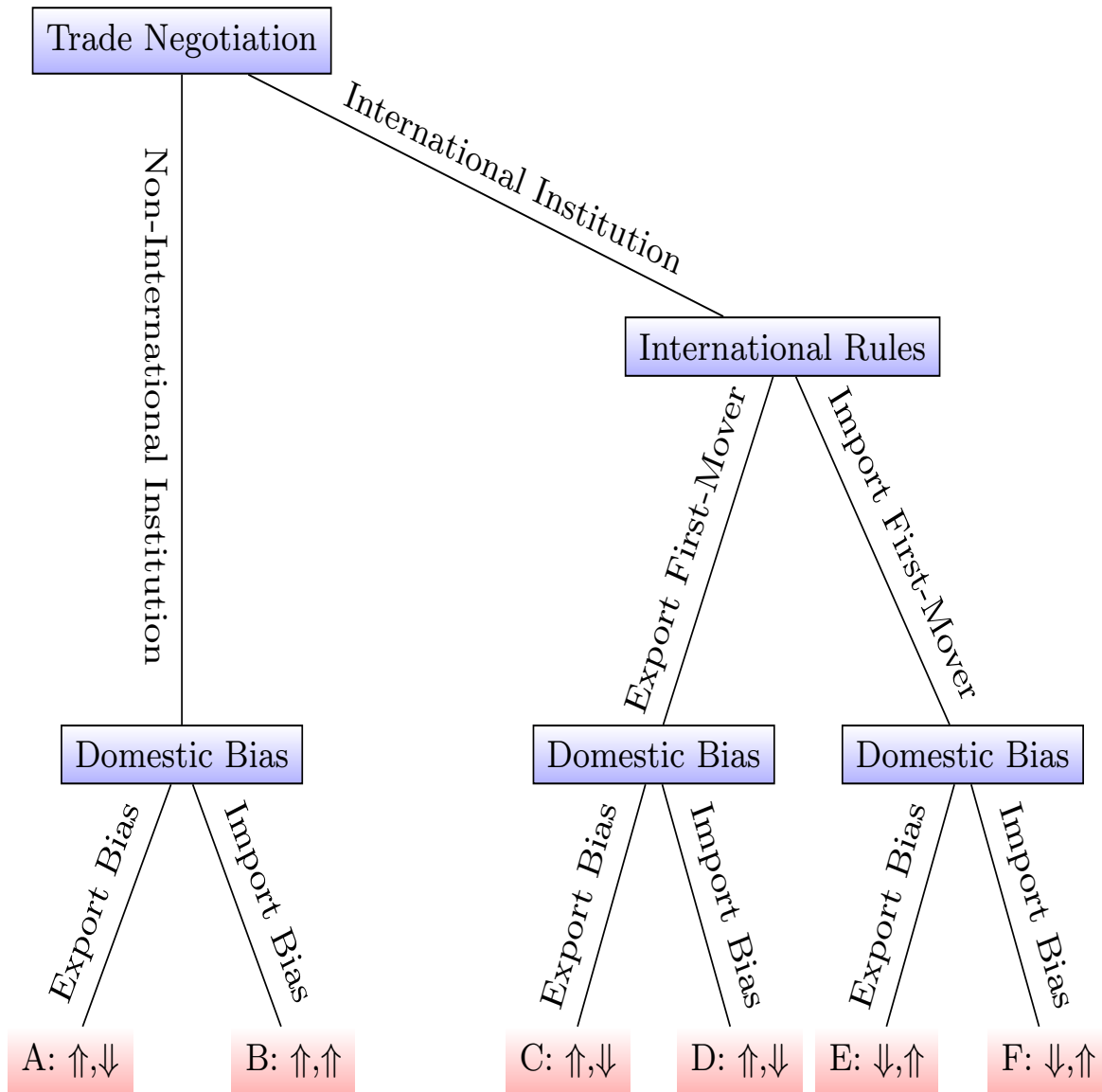
icantly different paths.

The importance of being granted first-mover by an international institution is filtered at the domestic level. Domestic actors have to exert influence through the state and its government since states are the participating parties in trade negotiations. Domestic institutions can mitigate or enhance first-mover advantage through access, biases, and structure. If domestic institutions are biased toward protectionism, export-competing interests will struggle to fully realize the potential of first-mover advantages; however, protectionist bias can be offset by increasing lobbying activity from export-competing interests (Betz, 2017). Domestic institutions can limit (or expand) first-mover actions depending on biases, structure, and access. Additionally, domestic institutions can dictate which interests receive first-mover status outside of an international institutional setting. As Lee and Osgood (2019) demonstrate, politicians' preferences and biases can shape the discussion around issues by whose voice and interests receive a seat at the table. Regarding trade policies, export-competing interests and those that favor increasing liberalization are likely to exhibit greater influence in setting trade negotiation agendas than import-competing and protectionist interests given domestic institutional bias for liberalization and export-competing interests.

As Figure 3.1 shows, international institutions are able to influence which domestic actors participate as first-movers in international negotiations. The arrows at the bottom of the tree indicate the influence of export- and import-competing industries, respectively, during a negotiation. First-mover determination outside of international institutions is on the left side of the tree. In these instances, first-mover is determined by the preferences of domestic institutions. Bias toward export-competing industries allows those actors to act as the first-mover, which increases their influence during the negotiation and import-competing actors' influence declines. On the other hand, if domestic preferences favor import-competing industries, these actors act as the first-mover and increase their impact over the bargaining process. Conversely, export-competing interests can offset protectionist bias through increased lobbying activity, which is why both export- and import-competing interests experience improved influence in outcome A (Betz, 2017).³⁸.

³⁸The arrows in Figure 3.1 do not necessarily indicate that if one group of actors' influence increases that the other group's influence must decline. The arrows show the change in export- and import-oriented industries position during a negotiation with that first-mover distribution. In the case of outcome "B", import-oriented

Figure 3.1: Determining First-Mover Advantage



The arrows indicate the direction of influence for export- and import-competing actors in trade negotiations. The left arrow represents export-competing industries while the right arrow represents import-competing industries.

The right side of the tree shows the first-mover determination for negotiations that occur inside international institutions. The rules of the international institution determine which domestic groups act as the first-mover for that negotiation. This is pivotal for the sequencing of events as the international rules dictate how the bargaining process will occur. The preferences of domestic institutions are largely restricted since the international rules regulate the sequencing of moves. An export-oriented first-mover essentially controls the early direction of negotiations, which severely limits the political power of import-oriented actors. Conversely, an import-competing first-mover relegates export-oriented actors to responding during the bargaining process. This provides import-competing actors with the ability to protect domestic industries from inclusion or concessions and limit greater import competition. The ability to direct the early bargaining process toward the first-mover's preferences constrains the biases of domestic institutions.³⁹

Negotiations that occur in international institutions adhere to an additional set of rules that influence the bargaining capacity of states within the institution and interests within member states. The design and rules of international institutions alter the influence that domestic interests when lobbying domestically. The foundational rules of the GATT - reciprocity, principal supplier, and most-favored-nation - affect states' actions during GATT trade negotiations. Most-favor-nation and the principal supplier rule limited which countries the United States offered concessions (Gowa and Hicks, 2012, 2018) and reciprocal agreements further focused negotiations towards states that were principal suppliers of products (Goldstein and Gulotty, 2014). The GATT's initial negotiating format, item-by-item, is argued to have benefited import-competing interests by allowing states to maneuver negotiations away from politically important import-competing industries and firms since states could selectively avoid cutting tariffs on specific products (Goldstein and Gulotty, 2014; Gowa and Hicks, 2018). While states may be reluctant to negotiate over some industries or products due to domestic importance, the negotiating framework of international institu-

industries gain power during negotiations because of the first-mover status; simultaneously, the natural power of export-oriented industries allows their preferences to still affect the direction of negotiations.

³⁹I do not argue that domestic preferences do not matter for negotiations in international institutions; rather, I argue that those preferences will be restricted by first-mover advantage if the interests of domestic institutions and the first-mover do not align. Decision-making to determine states' actions still occurs at the domestic level, so domestic institutions continue to remain influential during the negotiation.

tions can influence whether those industries or products possess the ability to act prior to negotiations beginning or respond after bargaining has already begun.

The rules and biases of international institutions supersede those of domestic institutions. As indicated in Figure 3.1, the benefits of first-mover advantage continue to and through the domestic level. Unlike negotiations outside of international institutions, the first-mover advantage for import-competing interests carries greater influence through domestic lobbying. The position of protectionist interests improves when domestic institutions possess biases toward import-competing interests, but exporters are able to offset those gains (Betz, 2017). However, protectionist interests that receive first-mover advantage at the international level continue to possess greater influence by setting the scope of the negotiation. Import-competing interests can use first-mover advantage to restrict the focus of negotiations by limiting product inclusion or minimizing the size of negotiated concessions. Export-competing interests must respond to the bargaining environment created by protectionist interests, which limits their lobbying influence despite beneficial domestic institutional biases. This is why in outcome E that export-competing interests remain disadvantaged during negotiations because international first-mover supersedes domestic preferences.

The item-by-item negotiation framework is an example of an international rule with export bias because the first step is export-competing interests requesting concessions on specific products. With export interests as the international first-mover, domestic institutions with an export bias exponentially increase the influence of export-competing interests while institutions with a protectionist bias must respond to exporting interests instead of protectionist preferences. Conversely, the linear negotiation framework represents rules with import-competing bias since the first action is lobbying for exemption from negotiations. The institutional bias toward protectionist interests diminishes domestic bias for export-competing preferences.

3.3.2 GATT, Negotiation Structure, and First-Mover

During the lifetime of the GATT, it employed two negotiation frameworks: 1) Item-by-Item and 2) Linear/across-the-board. Table 3.1 introduces these two frameworks and

Table 3.1: GATT Negotiation Frameworks

	Item-by-Item	Linear
Negotiation Structure	Bilateral	Multilateral
First Step	Request Concessions	Exemption List
Process	Request & Offer	General Concession List
Level of Reductions	No Set GATT Target - Restricted by RTAA	50% Target
Participation	Voluntary	Mandatory
Product Exemptions	High Import Competition	National Importance
First-Mover Advantage	Export-Competing	Import-Competing

highlights their differences. My argument emphasizes the differences in the GATT’s institutional design affect the influence of domestic actors during trade negotiations. Specifically, I argue that different domestic actors are advantaged under the two negotiation frameworks. In turn, different domestic sectors should experience increased (or decreased) influence depending on the negotiation format of the GATT.

In order to understand how the different negotiation formats alter the first-mover advantage, it is imperative to examine the focus of each format. The first negotiation structure that the GATT used was item-by-item. To begin negotiation rounds under this approach, states would submit “request” lists to other GATT members that they wanted to negotiate with during the round. The request lists could be broad where states submit a list of products and simply ask for the maximum allowed reduction in tariffs.⁴⁰ The other type of request list is specific where states send a list of products that they want concessions on as well as requesting the new tariff rate.⁴¹ After the request lists have been submitted, the recipient states return “offer” lists. These lists can include (or exclude) items from the

⁴⁰For example, the European Economic Community submitted this type of request list to the United States in the Dillon Round.

⁴¹In the Dillon Round, this was the most common type of request list submitted to other members.

request list and add new items that were not requested. States can submit counter-offers if desired, but after the request and offer stages, states reach a final agreement on products and tariff rates.⁴² Another key feature of the item-by-item approach is that every member did not have to negotiate with every other member. In the Dillon Round, Australia exchanged request lists with the United States simply to keep the possibility of negotiating available, but the two countries did not conclude a bilateral agreement during the round.

The next negotiation format that the GATT used was a linear approach. While the item-by-item framework was a bilateral negotiation across all members, the linear approach was strictly a multilateral negotiation between the member states. Now, states submitted a list of all concessions - products and new tariff rates - that they were willing to implement at the end of the round.⁴³ However, before providing their comprehensive lists, states submitted an “exemption” list. The products on this list were exempt from negotiation during the round or did not have to meet the 50% tariff reduction target.⁴⁴ The GATT requested that states attempt to keep their exemption list as minimal as possible; however, there was substantial lobbying by industries and firms to be placed on the exemption list.⁴⁵ The exchange of comprehensive offer lists could not occur until states submitted their exemption lists to the GATT.

The two negotiation structures used by the GATT offer significantly different environments for member states and challenges to overcome during negotiations. The two negotiation styles offer contrasting structures regarding export-competing interests setting the agenda through requesting concessions or import-competing interests lobbying to be excluded from negotiations. The first step of GATT negotiations activates the first-mover advantage and which domestic actors mobilize. During negotiations under the item-by-item framework, import-competing industries are unable to generate as much political influence

⁴²It is worth noting that even in the final agreement that new products can be added or that products can be removed despite being included in the request and offer lists.

⁴³The comprehensive offer lists could be updated by adding or removing products based on the offers of other member states.

⁴⁴States were able to request products be excluded based on technical, economic, or mandatory reasons. The exemptions could be a total exemption from negotiations or partial exemption that would involve a concession below the 50% target.

⁴⁵The European Economic Community missed the initial deadline for their exemptions because of disagreements between its members and domestic pressure for exemption.

Table 3.2: Domestic and International Institutional Alignment in the United States

	Negotiation Format		
		Item-by-Item	Linear
Domestic Bias	Export-Competing	Domestic & International Advantage	Domestic Advantage
	Import-Competing	No Advantage	International Advantage

because the first action is for states to request new, specific concessions. On the other hand, export-competing interests are disadvantaged in linear negotiated GATT rounds because states exclude some products from negotiation as the first step in negotiations. The political influence and potential actions available to domestic actors are altered by the rules and procedures of international institutions.⁴⁶

The specific rules of each negotiation format affect the status and influence of domestic actors differently. As Table 3.2 illustrates, international and domestic institutions can align or diverge. Institutional alignment bestows greater influence on domestic actors while severely restricting the influence of competing domestic interests. Alignment depends on the biases and preferences of domestic institutions. The effect of international institutions is uniform across its members since the rules apply to all members.⁴⁷ On the other hand, domestic institutional biases vary across states and distribute influence differently to domestic actors. Institutional change, at both the domestic and international levels, has the potential to alter the alignment between international and domestic institutions.

The rules and procedures of international institutions impact domestic institutions' bi-

⁴⁶In the absence of international institutions, the international level does not have as much influence over the actions available to domestic firms and industries. PTA negotiations are unlikely to be affected by the rules of the GATT/WTO because they happen outside of the institution's rules and negotiation framework.

⁴⁷For example, the United States cannot negotiate under the item-by-item framework while the EEC negotiates under the linear structure. Each member state must use the same negotiation format.

ases. In the United States, there is a strong institutional bias against protectionism (Goldstein, 1986; Siles-Brügge, 2014; Strange, 1985) and a positive bias toward pro-liberalization arguments (Lee and Osgood, 2019; *Trade Policies and the Kennedy Round*, 1967). In trade negotiations outside of the GATT, it is reasonable to expect that export-competing interests will benefit more from lobbying efforts due to the institutional bias toward liberalization. However, Grossman and Helpman (1994) contend that lobbying efforts can overcome ingrained biases. The rules at the international level alter (or further reinforce) domestic biases. When export-competing interests are the first-mover in trade negotiations, firms and industries are more likely to engage in lobbying activities as well as to expect their efforts to be successful. Simultaneously, import-competing industries are significantly disadvantaged in negotiations because their products are more likely to be sacrificed for export-competing gains due to the alignment of institutional biases. The alignment between international first-mover advantage and domestic institutional bias compounds the influence of export-competing interests by crowding out the ability of import-competing interests to lobby successfully. Prior to the first round of the GATT, the United States was prepared to offer reductions on politically sensitive sectors such as zinc, wool and cotton textiles, rubber, and tin (Irwin, Mavroidis and Sykes, 2008). In order to receive concessions during the first GATT round, the United States had to be willing to include and negotiate on domestically important products. However, import-competing interests cannot be completely disregarded, so industries should still receive some protection as a way to appear responsive to their interests (Goldstein, 1986).

When the international first-mover advantage shifts from export- to import-competing interests, domestic institutions can no longer only appear to be responsive to their interests. Import-competing interests are now in the position to set the direction of negotiations by lobbying for exemption from the trade negotiation round. States are able to reject domestic exemption lobbying efforts, but every lobbying effort and import-competing interest cannot be entirely neglected. With first-mover advantage, import-competing industries are in a heightened position to pressure states to respond to their preferences before negotiations begin. Export-competing industries still maintain their stronger position domestically because of the biases toward these groups but have to operate in the setting created by

import-competing actors. The international first-mover advantage allows import-competing industries to overcome domestic bias for liberalization and improve their odds of successful lobbying efforts. Export-competing actors are no longer able to drive the discussion and focus of the negotiations because of the split alignment of international (import-competing) and domestic (export-competing) institutions.

The first-mover advantage goes to which interest that is mobilized based on international institutions when international and domestic institutions prioritize competing interests. Since every member of the GATT is subject to the same institutional influences, each member state is subject to export-competing interests, first, under the item-by-item framework and import-competing interests in rounds using the linear format. Domestic institutional biases, if divergent from the international institutional biases, can mitigate some of the first mover influence but not entirely. This allows import-competing interests to lobby more effectively in the United States during the start of the Kennedy Round despite domestic preferences toward export-competing interests. The negotiation format used by international institutions prioritizes and mobilizes certain domestic actors first, which provides those interests more influence domestically during international negotiations.

3.4 Shaping Domestic Importance and Influence

Every industry or firm is not going to possess the same influence to achieve their desired outcomes regardless of first-mover advantage, so certain domestic actors are more successful than others. Domestic importance and political influence of industries are not uniform and vary significantly. Domestic importance provides the ability to influence negotiations and bargaining outcomes through domestic lobbying activities. Industries, both import- and export-competing, that lack domestic importance possess limited ability to achieve their preferred bargaining outcomes. On the other hand, domestically important industries are better positioned for successful lobbying efforts.

Influence is determined by whether lobbying activity is from an export- or import-competing industry. Depending on the biases of domestic institutions, industries receive

different levels of access. In the United States, congressional hearings on trade agreements are more likely to feature pro-trade testimony because of biases toward these groups by committee chairs (Lee and Osgood, 2019). Additionally, if there is a protectionist bias in institutions, export-competing interests can wear down that bias through lobbying activity (Betz, 2017). Export-competing interests appear to receive preferential treatment in domestic institutions, which is likely explained by myths regarding and biases against protectionism (Goldstein, 1986; Siles-Brügge, 2014; Strange, 1985). This bias was evident in the first GATT negotiation round when President Truman authorized concessions on domestically important, import-competing industries to ensure negotiations continued as a result of pressure from export-competing industries in other GATT members (Irwin, Mavroidis and Sykes, 2008).

The rules of international institutions cannot reshape or dictate domestically important firms but can determine which industries have more influence during negotiations and a greater likelihood of lobbying success. Being a domestically important industry does not guarantee lobbying success; rather, it only increases the possibility of success. As noted in the first GATT round, being a domestically important, import-competing industry did not prevent tariff concessions but initial protection from inclusion in negotiations. Domestic importance is mediated by whether the lobbying industry is export- or import-competing. Institutions domestically act as a filter for lobbying success and whether an action is based on interests or appearing responsive (Goldstein, 1986).

At the time of the first GATT round in 1947, the negotiation structure advantaged the interests of export-competing industries by allowing them to submit request lists for concessions from other GATT members. In order to achieve those concessions, import-competing industries had to experience concessions on tariffs protecting them from imports of foreign products into the domestic market. On the other hand, the negotiation structure used in the Kennedy Round favored import-competing interests by allowing them to lobby for exemption prior to the start of the negotiations. Both the United States⁴⁸ and the European Economic Community⁴⁹ faced significant domestic lobbying efforts from industries for exclusion from

⁴⁸Dale, Jr., Edwin L. "Tariff-Cut Talks Nearing a Crisis." *The New York Times*, 19 October 1964.

⁴⁹Keatley, Robert. "Protectionist Europe: Common Market Farm Pact Intensifies Threat to World Tariff Talks." *The Wall Street Journal*, 6 January 1964

the Kennedy Round negotiations. Domestically important, import-competing industries should no longer be sacrificed for the benefit of export-competing interests in GATT negotiations. When negotiations occur through an international institution, lobbying success is an interaction between first-mover advantage and domestic importance.

3.4.1 What Determines Domestic Importance?

Industries and firms are not uniformly successful in their lobbying efforts. Domestic importance does not depend on whether an industry or firm is export- or import-competing; rather, importance is correlated with industry and firm characteristics. The size of industries and firms increases the probability of successful lobbying efforts (Hathaway, 1998). Additionally, Betz (2017) argues that firms that are larger, have more employees, are more profitable, and pay higher wages possess more political influence. Larger firms and industries have more resources for lobbying efforts and the scale to benefit from successful political influence (Kim and Osgood, 2019). The size, in terms of returns of scale, wages, and employees, of industries should equate to greater domestic influence over trade policy because of their economic importance.

However, only a small number of firms are able to engage in exports and an even smaller number constitute the vast majority of exports (Freund and Pierola, 2012; Kim and Osgood, 2019). Large firms are better able to break free from industry pressures (Osgood, 2017*b*), which are likely to be superstar firms that shape trade policy (Freund and Pierola, 2012; Osgood et al., 2017). Superstar firms should be more productive and have more employees while possessing greater influence over trade policy. Due to the productivity and size of these firms and industries, their lobbying efforts should carry greater influence with decision-makers.

In the Senate hearing on the Kennedy Round in the Committee on Finance, Senators expressed concern about opposition to aspects of the Kennedy Round (*Trade Policies and the Kennedy Round*, 1967). The size of union membership for an industry is likely to make decision-makers more (or less) responsive to the interests of the union. Additionally, unions act as a transmitter of information to their members and create organizational ties that

supersede immediate material interests (Ahlquist, Clayton and Levi, 2014). Members in import-competing industries adopt more protectionist positions on trade while members in export-competing industries display the least protectionist positions (Kim and Margalit, 2017). Given the role that unions play in shaping their members' preferences and concerns from decision-makers about the support or opposition from unions, the interests of large unions should carry more domestic influence.

Following the literature on lobbying influence and trade politics, I argue that **employment, compensation, union membership, value-added (to GDP), and gross output** affect industries' abilities to achieve desired outcomes during GATT negotiations. Industries that are economically important should have greater political influence to achieve their preferred outcomes in trade negotiations. However, domestic importance does not guarantee industries achieve their desired outcomes. Institutional factors may determine the success or failure of lobbying efforts (Betz, 2017). The value of domestic importance is conditional upon whether industries are import- or export-competing and institutional determinants of first-mover advantage. When the first-move advantage provided by the GATT's negotiation structure aligns with domestic influence, those industries should be more successful in advancing their interests. On the other hand, when first-mover advantage does not coordinate with domestic influence, those industries are disadvantaged in trade negotiations because they must respond instead of setting the agenda.

Under the item-by-item negotiation structure, domestically important import-competing industries are disadvantaged in negotiations because export-competing interests set the agenda for negotiations. While these industries are better positioned to avoid or minimize tariff concessions, they do not convey the same influence as domestically important, export-competing industries with first-mover advantage. Conversely, when domestically important, import-competing industries receive first-mover advantage via international institutions, domestically important, export-competing industries must respond to rather than set the bargaining agenda. The main disappointment for the United States in the Kennedy Round was the failure to reduce the EEC's external tariff on agricultural goods, which was a domestically important, import-competing industry. By providing the agricultural industry the ability to lobby for exemption prior to the start of the negotiations, it forced American

agricultural exporting interests to respond to protectionist lobbying successes rather than setting the negotiation agenda.

3.4.2 Dillon Round Hypotheses

For the analysis, I focus on export-and import-competing industries in the United States. These industries should experience different levels of influence across the two GATT rounds - Dillon and Kennedy. Based on my argument above, import-competing industries were disadvantaged in the Dillon Round since export-competing interests were able to make concession requests at the start of the round. Export-competing interests should possess the domestic first-mover advantage since the first step of the negotiation process is submitting a request list to other GATT members. By starting the negotiations with states requesting the products that they desire concessions on, export-competing industries should be mobilized to pursue lower barriers to trade the benefit their access to foreign markets. The first action in the international negotiation places the interests of domestic export-competing industries at the forefront of interest mobilization.

Based on export-competing interests possessing the ability to act first and set the course of the negotiations, import-competing industries should be increasingly vulnerable to tariff concessions and increasing levels of foreign imports. As demonstrated in the first GATT negotiating round, domestically important import-competing industries were included in the round at the request of GATT members to ensure negotiations did not stall (Irwin, Mavroidis and Sykes, 2008). When export-competing interests are shaping the direction of negotiations, import-competing interests experience limited influence over negotiations. Additionally, the institutional bias in the United States toward protectionism further restricts import-competing industries' ability to exclude themselves from being include in the final concession offering.

Hypothesis #1a. *Import-competing industries with **higher employment rates** should experience **larger tariff concessions**.*

Hypothesis #1b. *Import-competing industries with **higher union membership** should*

experience **larger tariff concessions**.

Hypothesis #1c. *Import-competing industries with **higher gross output** should experience **larger tariff concessions**.*

Hypothesis #1d. *Import-competing industries with **higher labor intensity** should experience **larger tariff concessions**.*

Hypothesis #1e. *Import-competing industries with **higher unemployment rates** should experience **larger tariff concessions**.*

Since trade policy is an interaction between first-mover advantage and domestic importance, export-competing interests are significantly advantaged during the Dillon Round negotiations. Import-competing industries are more likely to be sacrificed in negotiations for the benefit of export-competing interests. Domestic importance for import-competing industries during the Dillon Round should translate into limited political influence and protectionist success.

3.4.3 Kennedy Round Hypotheses

Import-competing industries should be prioritized in the Kennedy Round because the linear negotiation format shifted the focus from requesting tariff concession to lobbying for concession exemption. Domestically important, import-competing industries benefit from lobbying for exemption prior to the start of negotiations. While the GATT encouraged its members to limit their exemptions, member states experienced increased pressure from industries lobbying for exclusion. Due to first-mover advantage, domestically important, import-competing industries should be better positioned to exert influence politically and limit concessions.

Hypothesis #2a. *Import-competing industries with **higher employment rates** should experience **smaller tariff concessions**.*

Hypothesis #2b. *Import-competing industries with **higher union membership** should experience **smaller tariff concessions**.*

Hypothesis #2c. *Import-competing industries with **higher gross output** should experience **smaller tariff concessions**.*

Hypothesis #2d. *Import-competing industries with **higher labor intensity** should experience **smaller tariff concessions**.*

Hypothesis #2e. *Import-competing industries with **higher unemployment rates** should experience **smaller tariff concessions**.*

It could be that import-competing industries were only advantaged at the exemption stage prior to the start of negotiations. After the exemptions were granted or denied, non-exempted import-competing industries could lose their first-mover advantage as the domestic bias toward export-competing industries resumes during the negotiations. In order to test whether import-competing industries first-mover advantaged only applied during the exemption stage, I examine product inclusion instead of concession size.

Hypothesis #3a. *Import-competing industries with **higher employment rates** should experience **lower product inclusion**.*

Hypothesis #3b. *Import-competing industries with **higher union membership** should experience **lower product inclusion**.*

Hypothesis #3c. *Import-competing industries with **higher gross output** should experience **lower product inclusion**.*

Hypothesis #3d. *Import-competing industries with **higher labor intensity** should experience **lower product inclusion**.*

Hypothesis #3e. *Import-competing industries with **higher unemployment rates** should experience **lower product inclusion**.*

By leveraging institutional change at the GATT, I examine how international institutions affect the influence of domestic actors. The overlap of institutional rules creates a sequencing of rules for actors that shape interactions (Farrell and Newman, 2016). International rules compound or restrict domestic bias through first-mover advantage. Institutional change has the ability to fundamentally alter domestic political influence. The sequencing of power

distribution through institutions and rules is a key characteristic for understanding and analyzing bargaining outcomes.

4.0 Power to the Exporters: First-Mover Advantage and the Dillon Round

Institutions possess the ability to influence the actions of members through their rules. In the absence of institutions, states' actions are unrestricted; however, the existence of institutional rules removes possible actions from states' toolboxes (Carnegie, 2015; Milgrom, North and Weingast, 1990; North and Weingast, 1989). Beyond the creation and design of international institutions, rule changes have the power to alter the actions available to states. Change is a calculated decision by member states (Jupille, Mattli and Snidal, 2013). The motivations for institutional reforms are an attempt to change the actions available to member states. Institutional reforms fundamentally alter interactions between member states' within institutions.

The GATT's Dillon and Kennedy Rounds provide a compelling framework to analyze the effect of international rules on trade negotiations. I leverage the timing of the institutional change to examine the effect of institutional rules on the influence of domestic actors in trade negotiations. The Dillon Round was the last GATT negotiation to utilize the item-by-item format, and the Kennedy Round was the first negotiation to employ the linear framework. The rounds occurred within the same decade - the 1960s - limiting the influence of different geopolitical events. The ability to examine trade negotiations under different rules emphasizes the effect of institutional rules on the actions of member states.

This chapter examines the Dillon Round and the effect of the item-by-item negotiation framework on domestic actors' influence in bargaining outcomes over trade policy. Specifically, I analyze the effect of the item-by-item negotiation rules on import-competing industries and the size of tariff concessions. The selective item-by-item format has been argued to prioritize protectionist interests¹ of import-competing industries by allowing states to make counteroffers and selectively exclude products (Goldstein and Gulotty, 2014; Gowa and Hicks, 2018). Conversely, I argue that item-by-item negotiations prioritize export-competing interests by allowing those interests to set the negotiation agenda. The first step of item-by-item

¹“Views of the United States Regarding So-Called Ecrtement and Other Proposals for Unequal Linear Reduction of Tariffs.” General Agreement on Tariffs and Trade, 24 April 1963.

negotiations is for states to request new tariff rates on specific products, which allows export-competing interests to select the foreign markets and products for their domestic government to request concessions. Simultaneously, foreign exporters are targeting domestic industries and products for lower tariff rates. Hence, to receive requested concessions, states must offer greater access to their domestic markets to foreign exporters.

The analysis of the Dillon Round employs a mixed-methods approach. The analysis begins with a quantitative examination of concession size and whether import-competing industries bore the brunt of larger concessions. If foreign exporters were able to initially request concessions that would grant them improved access to the United States, import-competing industries should exhibit larger tariff concessions. To supplement the quantitative evidence, I conduct a detailed case study of bargaining at the domestic level and whether import-competing industries experienced a disadvantage in their political efforts as a result of export-competing interests possessing first-mover advantage. The qualitative case study allows for greater detail on the bargaining process at both the domestic and international levels. The chapter, additionally, details the selection criteria for the Dillon Round, data collection, research design, and methodology.

4.1 Data Collection and the Dillon Round

The focus of this chapter is on negotiations and domestic lobbying activity during the GATT's Dillon Round. I examine the negotiation process, I collected data from declassified documents of bilateral negotiations on tariff reductions.² These declassified documents offer a glimpse into the bargaining process that occurred during these rounds. The back-and-forth that occurred during negotiations is reflected in the documents. The WTO's decision to release the negotiating material from the GATT gives a behind-the-scenes view of trade negotiations.

²The WTO declassified these documents in 2013. The released documents are from the following rounds: Geneva (1947), Annecy (1949), Torquay (1950-1951), Geneva (1956), Geneva/Dillon Round (1960-1961), Kennedy Round (1964-1967), Tokyo Round (1973-1979), and Uruguay Round (1986-1994). The documents can be found at https://www.wto.org/english/docs_e/gattbilaterals_e/indexbyround_e.htm

I leverage the information within the documents to examine the effect of institutional rules on bargaining outcomes. The documents provide detailed accounts of negotiations and what states were requesting from other members or why concessions were not included. By collecting the data contained within the documents, I can examine the inner workings of trade negotiations to analyze how international rules affected the outcome and how international rules affected the actions of domestic groups during the negotiations.

The bilateral negotiation material consists of three sections and interactions between the negotiating states. The first is an exchange of documents for requests that states ask of each other. States are not required to offer concessions on the requests, but the lists act as a starting point for the rest of the negotiation. Further, states are not required to participate in every possible bilateral negotiation. Bagwell, Staiger and Yurukoglu (2020) indicate that 298 bilateral negotiations occurred in the Torquay Round out of a possible 666 dyads. For example, Australia exchanged request lists with the United States to keep the possibility of negotiations open during the round, but negotiations did not advance beyond requests. The next interaction in the documents is the exchange of offers. The offer lists can include products from the request lists, but it does not have to and can include non-requested products. The final interaction in the bilateral negotiations is the finalized concession offers.

The sampled data from the GATT documents is of tariff concessions granted by the United States. The collected data consists only of the final list of agreed-upon concessions by the United States. While the disclosed documents include more information than the final concessions, the main focus of the data collection is on the final concessions and which products are included in the final list. The final concessions provide a detailed list of all products that the United States was willing to lower tariffs on.

The final list of concessions encapsulates the Dillon Round negotiations. While there was back-and-forth on products during the bargaining process, the final concessions reflect the products that other members pursued, what the United States was willing to include, and what products could not be removed from the negotiation. The quantitative analysis of the Dillon Round emphasizes tariff reductions and whether import-competing industries carried more of the burden in the final offer list. The qualitative analysis allows for greater exploration into the inner workings of negotiations and the back-and-forth of products being

Figure 4.1: Example of United States' Dillon Round Concessions

CONFIDENTIAL					
PART I					
Schedule 1					
Chemicals, oils, and paints					
Paragraph	1957 Schedule A		July 1, 1968	Offer	
				Rate	Country
1	8220 040	Acids and anhydrides, n.e.s.:	1½¢ per lb.	1.2¢ per lb.	Canada
	8220 160	Acetic anhydride	8½¢ per lb.	5.8¢ per lb.	Canada
2	8170 040	Citric.			
		Acetaldehyde.	3¢ per lb. + 15% ad val.	2.4¢ per lb. + 12% ad val.	Switzerland
	8170 570	Vinyl acetate, unpolymerized.	1¼¢ per lb. + 6% ad val.	1¢ per lb. + 5% ad val.	Canada
3	8380 225	Ethylene dibromide.	3¢ per lb. + 15% ad val.	2.4¢ per lb. + 12% ad val.	Israel
3	8380 050	Acetone, ethyl methyl ketone, and their homologues, and acetone oil.	8½% ad val.	6½% ad val.	Canada
4		Alcohols, n.e.s.:			
	8231 230	Ethyl.	7½¢ per gal.	6¢ per gal.	EEC
	8231 300	Amyl and fusel oil.	3¢ per lb.	2.4¢ per lb.	Canada
	8231 800	Hexyl and propyl, and mixtures of amyl, butyl, hexyl, and propyl alcohols or fusel oil.	3¢ per lb.	2.4¢ per lb.	Canada

removed from request lists and included in the offer and final lists.

The data collection focuses on the offered concessions at the end of the bargaining round. The United States' bilateral documents include both the present tariff rate on products as well as the offered rate. The documents also indicate whether a tariff rate was to be bound at that rate. I collect data on the reported current and final concession rates.

The main information collected from the GATT negotiation documents includes product description, tariff ID number, tariff duty unit³, current tariff rate, and new, concession rate. At the time of the Dillon Round, current identification strategies for products and tariffs were not in place yet.⁴ For the collected data to possess a uniform identification, I code corresponding Harmonized System (HS) codes for the products included in the final list of concessions.⁵ The HS codes provide a unified international identification system for the products and allow for the matching of products across the GATT members to a single identification.⁶ The products were matched based on the product descriptions from the

³ad valorem, weight, length, unit, etc.

⁴For example, the Harmonized Systems was not implemented until 1988

⁵To match the products to HS codes, I use the Harmonized Tariff Schedule provided by U.S. International Trade Commission at <https://hts.usitc.gov/>.

⁶The data collection for this dissertation only includes the United States' concessions. Implementing the HS identification system on the collected data allows for future data collection and identification guidelines

Dillon Round negotiation documents and the descriptions in the Harmonized Systems.

4.2 Research Design

In this section, to test the argument that international rules affect domestic actors' influence over bargaining outcomes, I examine the collected data on United States' tariff concessions in the Dillon Round. While the time frame for the analysis only includes one negotiating round, there is still significant variation in both the dependent and independent variables in the collected data. The Dillon Round provides a critical test of the theory since it is the last GATT round to utilize the item-by-item negotiation format, so the round provides a crucial test of the theoretical argument. During the Dillon Round, the United States provided concessions on 1,186 products. The *unit of analysis* is *product-industry*.

4.2.1 Dependent Variable

The products from the GATT documents constitute the main dependent variables of tariff concession size. **Tariff concession size** is calculated as the percent change from the existing tariff to the new, negotiated rate. The trade literature has largely focused on tariff reductions and trade volume when examining trade liberalization (Goldstein, Rivers and Tomz, 2007; Rose, 2004a; Subramanian and Wei, 2007). Tariff concession size is in line with the existing literature.

Some products have two or more types of tariffs - *ad valorem* and unit - or multiple tariffs of the same unit. For these products, I calculate the percent change for each tariff and average the percentages, so there is only one value remaining. During the Dillon Round, the United States was authorized to provide concessions up to 20% on products. For tariff rates above 50%, the United States' president was authorized to offer concessions down to 50%. The United States' concession could still be less than 20%, potentially reflecting attempts to protect that sector. Further, concessions can exceed 20% and tariffs can be entirely removed

for data collection beyond the United States.

from products.

The dependent variable addresses whether countries tried to limit the size of concessions. If foreign countries target products, the products may be included but with a smaller concession size. Concession size tells a significant story about the outcome of the negotiations. By using a measure of the negotiated concessions, I can examine the role of domestic importance during negotiations.

4.2.2 Independent Variables

The independent variables are from the Bureau of Economic Analysis (BEA).⁷ The data from the BEA is at the industry level, which required identifying which industry classification corresponded with the HS product classification. From the BEA, I selected four variables that reflect industry importance for the United States' economy. The first variable reflects the level of employment in industries: **Employment**. Employment measures the number of part- and full-time employees in an industry. Since the GATT data only consists of final tariff concessions and exemptions, I average the variable during the years the Dillon Round was negotiated.

The next variable reflects the importance of industries for GDP evaluation and the overall economy: **Gross output**. Gross output measures the total value added in million US dollars of goods produced by an industry. This variable is averaged for the duration of the Dillon Round.

Following Chase (2005), I create a labor intensity variable for each industry. Chase finds that labor intensity is an important factor for tariff levels in 1964. **Labor intensity** is measured as compensation divided by value-added. The measure accounts for the elements of comparative costs and the amount of labor required for products across industries. Industries that produce more labor-intensive products may carry more domestic importance during negotiations because competition for these industries could be more detrimental given the required labor.

Data on union membership from 1960 to 1962 is collected from the "Directory of National

⁷bea.gov

and International Labor Unions in the United States.”⁸ The documents from the United States Department of Labor include information on the number of members in unions, percent of members, and whether membership is affiliated with the AFL-CIO or unaffiliated within industries. Since I am interested in the final outcome of the Dillon Round, I average **total union membership** from 1960 and 1962. Industries with more union members may possess greater domestic importance given the collectivized nature of unions’ political activities.

An additional independent variable to measure domestic importance is industry decline. The strength of industries is likely to influence their domestic importance during trade negotiations, especially for import-competing sectors. Declining industries are unlikely to be able to exert the same level of political influence. However, these industries may receive additional protection in an attempt to save firms from collapse. To measure industry decline, I employ two measures: 1) **unemployment rate**⁹ and 2) the **difference between accession and separations** within industries. The unemployment rate signals the strength and economic position of industries. The difference between accession and separation indicates whether firms within industries lose employees or attract new workers from competing sectors. Both of these measures are collected from the “Handbook of Labor Statistics 1969” published by the United States Department of Labor, and both variables are averaged across the duration of the Dillon Round.

In addition to the four variables above, I include a variable on whether a product is from an export- or import-competing industry. **Import** is measured as a one (1) if the product is from an import-competing industry and zero (0) if the product is from an export-competing industry. I relied on historical data to determine whether an industry was export- or import-competing. Irwin (2006) provides data for exports and imports for broad categories of industries.¹⁰ Using the Harmonized System classification, I was able to determine the

⁸The United States Department of Labor and Bureau of Labor Statistics published the directory every other year - 1961 and 1963. The two publications provide data on union membership for the duration of the Dillon Round.

⁹“Handbook of Labor Statistics 1969” includes the following in its definition of unemployment: Individuals that did not work, were laid off and waiting to be called back to work, waiting to start a new job within 30 days, and who would have been looking for employment but were temporarily ill.

¹⁰The broad categories include agricultural goods; industrial supplies and materials; capital goods except automotive; automotive vehicles, parts, and engines; consumer goods except automotive; military goods;

broad category for each product from the GATT documents. Next, to determine whether the broad categories from Irwin (2006) are export- or import-competing, I added the export and import values for each year that the Dillon Round was negotiated. If the broad category experience more exports than imports, the broad category and products were classified as export-competing and vice versa.

Import-competing industries are industries that compete with imports (Osgood, 2018). Much of the literature uses imports for industries or products (Betz, 2017; Milner, 1988b; Osgood et al., 2017). The dichotomous variable is a slight deviation from existing literature. However, the dichotomous variable is more applicable for the analysis since the argument emphasizes the differences between export- and import-competing industries. Additionally, the dichotomous measure allows for variation during the negotiating round by comparing exports and imports across the duration of the Kennedy Round.

Given the small sample size in terms of time, the model is sensitive to the risk of including bad control variables (Angrist and Pischke, 2009). Bad control variables are post-treatment, in the sense that they are caused by my main independent variable. When these control variables are included, estimates suffer from post-treatment bias (Acharya, Blackwell and Sen, 2016). Therefore, I prefer a simplistic model and rely on a case study of the lobbying during the Dillon Round to strengthen my causal argument.

4.2.3 Methodology

For the quantitative analysis, I use a fractional logistic model. One benefit of a fractional logit model is that it includes the boundaries of zero (0) and one (1) in the analysis. The dependent variable, tariff concession size, is bound between zero and one. Some tariffs are completely removed from products, while other tariffs did not change but were bound at that rate. Logistic and probit models are only restricted to the boundaries. Beta-distribution regression models are similar to fractional logistic models, but beta models do not include the boundaries. Since the data includes zeros and ones and the rest of the dependent variable is within those bounds, the fractional logistic model is the most applicable to analyze the and not elsewhere classified.

Table 4.1: Dillon Round Summary Statistics

	Mean	S.D.	Min.	Max	Obs.
Tariff Concessions	0.22	0.12	0.00	1.00	1140.00
Import-Competing	0.52	0.50	0.00	1.00	1140.00
Employment (ln)	6.72	0.66	4.49	7.55	1140.00
Gross Output (ln)	9.95	0.64	8.66	11.21	1140.00
Labor Intensity	7.22	4.37	1.66	21.86	1140.00
Unemployment Rate	6.61	0.70	6.20	9.90	1140.00
New Entrances	3.92	1.43	1.30	6.13	1140.00
New Hires	2.32	0.87	0.90	3.60	1140.00
Exits	4.11	1.42	1.70	6.10	1140.00
Quits	1.33	0.51	0.57	2.20	1140.00
Layoffs	2.16	1.03	0.60	4.63	1140.00
Number of Unions	24.69	8.33	6.50	38.00	1140.00
AFL-CIO Membershiop (ln)	6.46	1.23	2.89	7.82	1140.00
Unaffiliated Membership	4.15	1.41	1.70	6.11	1140.00
Union Membership (%)	6.67	5.05	0.25	15.35	1140.00
More Exits (1) or Entrances (0)	0.68	0.47	0.00	1.00	1140.00
More Layoffs (1) or New Hires (0)	0.38	0.49	0.00	1.00	1140.00

interaction of domestic importance and export- or import-competing on the size of tariff concessions during the Dillon Round.

While the dependent variable is continuous between zero and one, ordinary least squares (OLS) is not applicable to the dependent variable and the data generating process. Additionally, OLS is not bounded at 0 and 1, which affects the generated predicted values. A fractional model more aptly applies to the structure of the dependent variable as a fraction of the new concession rate as a percentage of the current tariff at the start of the negotiating round.

$$Y_i = \beta_1 \text{Employment}_i + \beta_2 \text{Gross Output}_i + \beta_3 \text{Labor Intensity}_i + \beta_4 \text{Unemployment}_i + \beta_5 \text{Union Membership}_i + \beta_6 \text{Import-Competing}_i + X' \lambda + \epsilon_i,$$

Y is the outcome of the size of the tariff concession. The subscripts denote HS2 classification (i). The vector X contains the interactions between import-competing industries and the domestic importance variables. The standard errors around the estimates are clustered by HS2 classification. β indicates the effect of industry importance. The estimation method is fractional logistic.

To supplement the quantitative analysis, I conduct a qualitative case study of lobbying efforts during the negotiations. While the collected data provides copious amounts of relevant information about the underlying negotiations, it does not offer a complete picture of the lobbying efforts of domestic actors. Domestic importance or being in an export- or import-competing industry may not suffice to minimize tariff concessions during negotiations. Rather, the lobbying efforts of domestically important industries could be the deciding factor for whether to include a product in the final concessions or to pursue a smaller concession for given products. The objective of the case study into the Dillon Round is to provide a more nuanced picture of political activities during the negotiating period. The qualitative analysis is better positioned to directly examine whether import-competing industries were largely sidelined from negotiations due to the first-mover advantage of export-competing industries.

4.2.4 Benefits of Mixed-Methods Analysis

Both quantitative and qualitative analyses have strengths and weaknesses. Large-N analysis provides broader answers than a few cases can offer; on the other hand, case studies allow for a greater understanding of underlying events that may be missed in the data. Combining qualitative insights with quantitative analysis may provide the most beneficial results for scientific inquiry (Freedman, 2010). A mixed-methods approach allows for the exploration of complex and rich stories that exist that may not be told through the data alone. Combining both quantitative and qualitative analysis provides the best chance to fully analyze the negotiating process of the Dillon Round to provide the clearest understanding of how the bargaining outcomes were achieved.

In a mixed-methods framework, qualitative analysis can be used to answer more detailed questions about inference left unanswered by quantitative analysis (Lieberman, 2005). The usefulness of case studies to pick up where quantitative analyses leave off depends on case selection (Weller and Barnes, 2016). Weller and Barnes advocate for selecting cases on two criteria: 1) the degree to which cases are expected to feature the relationship between the dependent variable and independent variable of interest and 2) variation in case characteristics. However, selection requires choosing cases based on observable characteristics while the unobserved features are unknown.

Lieberman (2005) offers an example of international institutional rules on the determinants of states' policy outcomes where mixed-method analysis would be beneficial. The crux of this dissertation is how international rules affect actions domestically. Complementing quantitative analysis with qualitative case studies allows for finding evidence that domestic actors' behaviors changed following institutional reform. The quantitative analysis provides more generalizable details about the Dillon Round and how numerous variables impacted the negotiated results. Simultaneously, qualitative case studies offer an in-depth analysis of how behavior was before and after institutional reform and how the reform did or did not affect the decision-making of domestic actors.

By following a mixed-method approach, a more developed picture of the Dillon Round can emerge. Since the quantitative analysis in this chapter is of the United States' final concession

offers, an in-depth qualitative analysis is needed for hypothesis testing to determine if the negotiation format influences the decisions of domestic actors, whether industries or firms. One benefit of mixed-method analysis is that case studies can shift the unit-of-analysis because the cases require an examination of within-case variation (Lieberman, 2005). While the quantitative analysis may require an aggregated unit-of-analysis, cases allow for more disaggregation by needing to examination within cases of the quantitative analysis. Data restriction may limit the answerable questions, but that is the gap that supplemental case studies can address in the overall analysis and hypothesis testing.

4.2.5 Case Selection Criteria for the Dillon Round

Case selection criteria are important for avoiding selection bias or selecting cases of convenience (Bennett and Elman, 2006; King, Keohane and Verba, 1994; Levy, 2008). The objective in selecting the Dillon and Kennedy Rounds is to isolate the effect of institutional change. The case selection motivation is one of theoretical interest (Seawright and Gerring, 2008). The Dillon Round was the fifth GATT round and the last to use the item-by-item negotiation structure. The Dillon Round provides an ideal case to examine the effects of negotiation rules on bargaining outcomes, especially when comparing with the Kennedy Round. The two cases provide competing negotiation frameworks, and choosing these two cases offers the ability to directly examine the effect of institutional change on bargaining outcomes and domestic influence in trade negotiations.

Prior to the start of the Dillon Round, some member states, such as the European Economic Community, sought to revise the GATT's institutional setting informally. Rather than formally revising the negotiation format for rounds, the EEC proposed that member states agree to 20% linear reductions (Irwin, 2017). Due to the United States' domestic laws, it could not employ linear reductions since the Reciprocal Trade Agreement Act mandated item-by-item negotiations. The attempt to unofficially operate under a new negotiation framework indicates that member states were moving closer to institutional reform. The attempt should inform domestic actors that change is imminent. Further, domestic actors and states had experience operating under the GATT's item-by-item negotiation rules. Those

groups advantaged and disadvantaged by the rules should possess critical knowledge maximizing gains and minimizing costs.

While the case selection is theoretically motivated, the cases adopt a most similar procedure. Most similar selection requires cases to be similar across independent variables except the independent variable of interest (Levy, 2008; Seawright and Gerring, 2008). In the case of the two GATT rounds, the only independent variable to vary over the course of the 1960s is institutional change via negotiation rules. Other foundational rules – reciprocity, principal supplier, and most-favored-nation – of the GATT remained unchanged at the time of the Dillon Round. The only foundational block of the GATT’s initial design to change was the negotiation rules. The original design of the GATT emphasized maintaining existing market access as well as expanding product coverage (Goldstein and Gulotty, 2017; Jupille, Mattli and Snidal, 2013). The role of the GATT was to prevent the return of protectionist policies while expanding market access for increasing trade liberalization. On the other hand, the United States sought to prevent a rapid expansion of product coverage and to protect its domestically important industries (Irwin, Mavroidis and Sykes, 2008). To fully account for the role of institutional change, I must first analyze the impact of the GATT’s rules before the change occurred. The Dillon Round is a theoretically important case and provides the ability to examine the impact of the GATT’s institutional design and item-by-item negotiations on bargaining outcomes. The inclusion of the Dillon Round, as a case for quantitative and qualitative analysis, assists with overcoming the challenge of finding cases that are comparable (Levy, 2008).

By selecting two negotiation rounds that share similar features but employ different rules, the variables of interest remain the same while the environment changes. The two negotiating rounds were not selected based on the dependent variables; rather, the cases were selected on the institutional environment at the time of the negotiations as an independent variable. King, Keohane and Verba (1994) argues that selection on the dependent variable creates the possibility of selection bias as well as challenges with inference. Additionally, Bennett and Elman (2006) discusses an additional issue with selecting cases on the dependent variable and indicates it can lead to incorrect inference. In the two rounds, the size of overall concessions, number of concessions, and products vary across the two rounds, and the

domestic importance variables did not remain static during the 1960s. The overall changes across the two rounds are often attributed to the differences between the restrictive item-by-item approach and the more encompassing linear framework. For example, the Dillon Round resulted in an 8% overall tariff reduction, while the Kennedy Round experienced a 33% overall reduction. By analyzing the final GATT negotiation to use the item-by-item approach and the first linear negotiation, I analyze the overlap between international and domestic institutions in shaping domestic influence and bargaining outcomes. The overall concession values indicate that changing institutional rules drastically affected the negotiated concession levels. The selection of the Dillon and Kennedy rounds examine the differences between the two rounds and their outcomes.

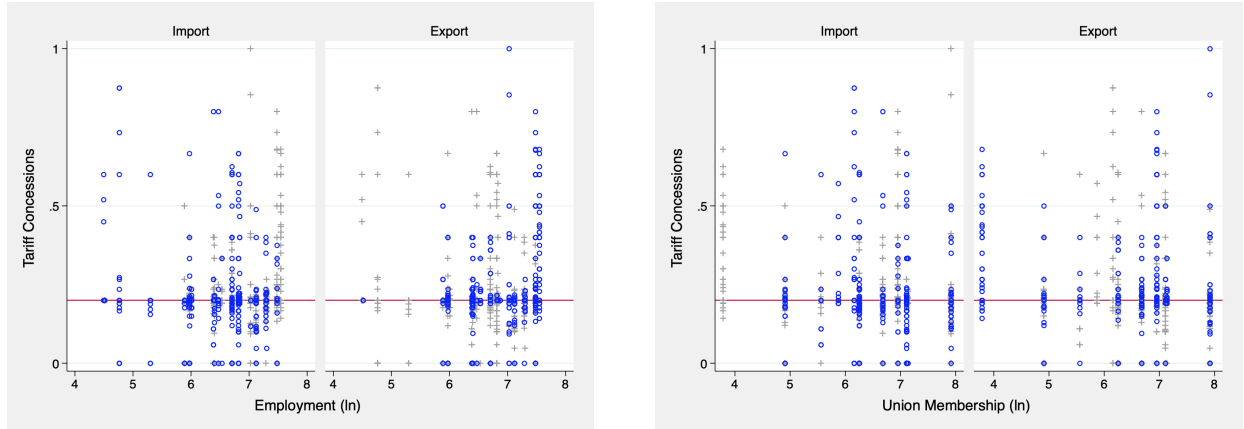
The two GATT rounds were not completely identical beyond the negotiation format; for example, participation increased from 26 states in the Dillon Round to 66 states in the Kennedy Round. While the increasing number of participants in the GATT is likely to alter the outcome across the two rounds, the key difference between the two rounds is the negotiation structure. By selecting two negotiating rounds that are mostly similar besides the rules regulating negotiations, I can highlight the effects of institutional change and examine how the different negotiating rules attributed first-mover advantage. By isolating the institutional change in the GATT, I analyze how different institutional rules affect domestic actors during the bargaining process and negotiated outcomes.

4.3 Quantitative Analysis

I begin by presenting comparisons of concession rates by politically and economically important factors. Figure 4.2 depicts the relationship between employment levels and union membership in export- and import-competing industries. The horizontal red line indicates a tariff concession of .2 (or 20%), which was the maximum offer the United States was able to make during the negotiations.¹¹ The blue circles in the import graph indicate tariff concessions offered on import-competing products. The gray plus signs in the import graph

¹¹There are exceptions to the 20% maximum in the reauthorized RTAA of 1958.

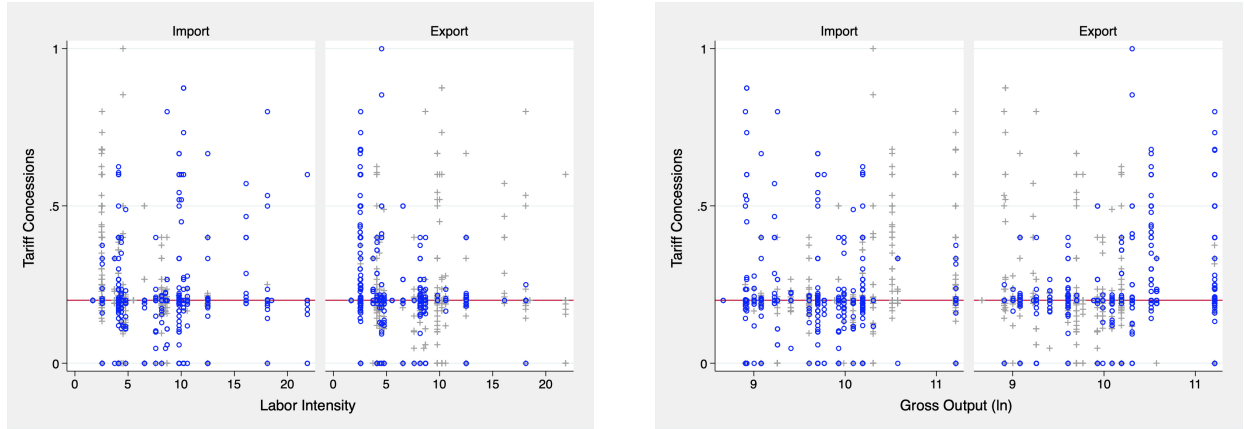
Figure 4.2: Dillon Round - Distribution of Concessions by Political Importance



indicate tariff concession for export-competing industries. The graph provides an overlay of concessions for export- and import-competing industries. As expected by the restrictions placed on the United States, the majority of concessions cluster around the 20% level. If domestic importance, political or economic, provides improved leverage during negotiations, concessions should be pulled closer to zero as political importance, such as higher levels of employees, union membership, labor intensity, and gross output. With political importance, concession rates do tend to track between 0 and .2 in import-competing industries while export-competing industries extend beyond .2 at higher levels of employment and union membership. There appear to be differences between the role of political domestic importance in export- and import-competing industries.

Turning to economic importance, the concession rates cluster around the .2 level as expected. Unlike with the political important factors, there is no clear distinction between export- and import-competing industries. In Figure 4.3, some concessions track between 0 and .2 for import-competing industries, but there are also examples of concessions that move beyond .2 as labor intensity increases. Gross output demonstrates a similar pattern in which the concession rates appear similar for export- and import-competing industries. However, higher levels of output in export-competing industries appear to be associated with larger tariff concessions, while lower levels of output in import-competing industries reflect

Figure 4.3: Dillon Round - Distribution of Concessions by Economic Importance



larger concessions. For import-competing sectors, this is expected as these industries lack the domestic importance for protection from larger tariff reductions. Overall, the plots indicate that tariff concessions clustered around the 20% maximum that the United States was able to offer as well as variation in concession sizes for export- and import-competing industries.

4.3.1 Concession Size and Domestic Importance

Table 4.2 breaks down the independent variables into political and economic importance. The political importance model indicates that import-competing and higher levels of union membership are associated with lower tariff concessions. Industries with higher levels of employment experience higher tariff concessions, but this may be a result of export-competing industries driving this result. In the economic importance model, industries with higher gross output and higher unemployment rates receive larger tariff concessions during negotiations. The combined model of political and economic importance reflects the same associations between importance and tariff concessions. Table 4.2 provides a basic analysis of the relationship between domestic importance and bargaining influence; however, these models do not account for the influence of international institutional rules.

To account for first-mover advantage, I include an interaction between import-competing

Table 4.2: Dillon Round - Political and Economic Importance

	(1) Political Importance	(2) Economic Importance	(3) Joint Model
Tariff Concessions			
Import-Competing	-0.08* (0.05)		-0.03 (0.04)
Employment (ln)	0.08 (0.06)		0.06 (0.04)
Union Membership (ln)	-0.08*** (0.02)		-0.05** (0.02)
Labor Intensity		0.02 (0.01)	0.02 (0.01)
Gross Output (ln)		0.25*** (0.09)	0.22*** (0.08)
Unemployment Rate		0.19*** (0.03)	0.18*** (0.03)
Constant	-1.26*** (0.45)	-5.18*** (0.99)	-4.80*** (0.96)
Observations	1140	1140	1140
R^2	.0019	.0039	.0044

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

and the domestic importance indicators. According to my theoretical argument, in the Dillon Round, export-competing interests should take precedent in negotiations. Since the first step of the negotiations is for states to exchange requests, import-competing industries, even those that are domestically important, should experience higher tariff concessions at the conclusion of Dillon Round negotiations. My expectation for the interaction effects to be positive or statistically insignificant indicates that domestic importance for import-competing industries did not increase political influence during negotiations.

Table 4.3 divides domestic importance between political and economic before combining both into a joint model. For the two political importance indicators, higher employment in import-competing industries is correlated with lower tariff concessions, while union membership depicts a negative relationship but is not statistically significant. On the other hand, higher employment in export-competing industries is associated with larger tariff concessions. This is likely the result of export-competing industries emphasizing tariff reductions abroad rather than protecting against concessions domestically. However, higher levels of union membership in export-competing industries is associated with lower tariff concessions. This result is in line with the existing literature on the protectionist effects of unions (Ahlquist, Clayton and Levi, 2014).

In the economic importance models, import-competing industries with higher labor intensity experience higher tariff concessions. Conversely, import-competing industries with higher levels of gross output are associated with lower concession rates, while gross output in export-competing industries experiences larger tariff concessions. The variations in tariff concession levels across industries indicate that some indicators of domestic importance matter more in international negotiations.

In the joint model, the indicators of domestic importance in import-competing industries lose their statistical significance. Higher unemployment rates and gross output in export-competing industries are associated with larger tariff concessions. The null results for the import-competing interactions are meaningful for understanding domestic influence during international negotiations. Political and economic importance does not offer industries protection, at a meaningful level, from tariff concessions suggests that institutional setting may restrict the effectiveness of domestic importance and political influence. Domestic impor-

Table 4.3: Dillon Round - Interaction with Import-Competing Industries

	(1) Employ.	(2) Union Mem.	(3) Labor Int.	(4) Output	(5) Unemploy.	(6) Joint
Tariff Concessions						
Import-Competing	1.88*** (0.63)	-0.01 (0.31)	-0.26*** (0.09)	2.24** (0.87)	0.02 (0.08)	1.53 (2.51)
Employment (ln)	0.24*** (0.07)	0.08 (0.07)				0.02 (0.06)
Union Membership (ln)	-0.05** (0.02)	-0.07** (0.03)				-0.03 (0.02)
Interaction: Import and Employment (ln)	-0.29*** (0.10)					0.20 (0.20)
Interaction: Import and Union Membership (ln)		-0.01 (0.05)				-0.03 (0.05)
Labor Intensity			-0.02 (0.01)	0.01 (0.01)	0.01 (0.01)	0.02 (0.02)
Gross Output (ln)			0.14* (0.08)	0.28*** (0.08)	0.24*** (0.08)	0.32** (0.14)
Unemployment Rate			0.16*** (0.03)	0.16*** (0.04)	0.18*** (0.03)	0.19*** (0.06)
Interaction: Import and Labor Intensity			0.03*** (0.01)			-0.01 (0.02)
Interaction: Import and Gross Output (ln)				-0.23*** (0.09)		-0.25 (0.18)
Interaction: Import and Unemployment Rate					-0.00 (0.00)	-0.00 (0.00)
Constant	-2.55*** (0.48)	-1.30*** (0.50)	-3.69*** (0.94)	-5.18*** (0.82)	-4.92*** (0.94)	-5.85*** (1.50)
Observations	1140	1140	1140	1140	1140	1140
R^2	.0032	.0019	.0043	.0046	.0040	.0051

Standard errors in parentheses

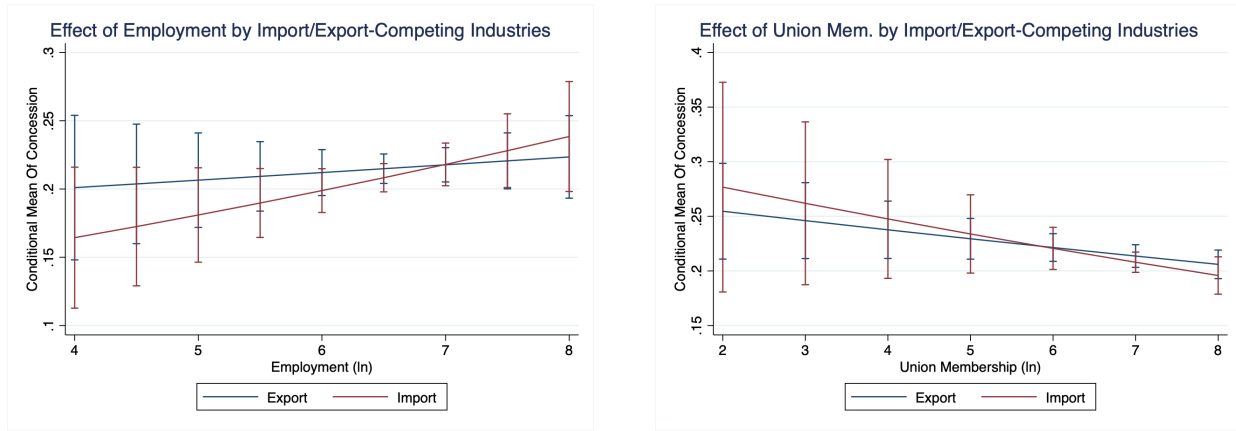
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

tance should grant industries protection in the form of smaller concessions.

While the null results offer some indication that concessions were not higher or lower based for import-competing industries, Rainey (2014) argues that this offers weak empirical evidence. Instead, an equivalence test of two one-sided tests (TOST) should be used to determine if there are indeed meaningful effects or not. I conduct a TOST for each interaction to determine if the null results in Table 4.3 are meaningful. Each interaction term rejects both null hypotheses for difference and equivalence between export- and import-competing industries. This indicates that the null results are relevant and indicate meaningful effects on tariff concession rates. Next, to ensure that the null results for the interactions are not zero, I employ joint F-tests for the import-competing interactions. The first F-test includes only the import-competing interactions, and the p-value for that test is 0.0236. This indicates that the effect of the import-competing domestic importance variables do have significant explanatory power in the joint model in Table 4.3. Together, the TOST and F-test indicate that the meaningful effect of the import-competing interactions is very small but that the interactions do affect concession rates.

The indication of higher concession levels within export-competing industries is intriguing. Since these industries set the agenda in item-by-item negotiations, my initial expectation was that import-competing industries would bear the cost of tariff concessions. On the one hand, exporters may not be overly concerned with their domestic protection since they compete in foreign markets rather than domestically. Table 5.1 shows that import-competing industries accounted for just over half of the concessions granted by the United States at the conclusion of the Dillon Round negotiations. Another explanation is that export-competing industries with high unemployment rates possess minimal political influence. Since these industries are already economically challenged, they lack the capability and resources to exert political influence. Conversely, economically vulnerable import-competing industries can convert their periled domestic position to limit excessive concessions. Economically vulnerable import-competing possess greater influence during negotiations because increasing levels of imports may severely injury the domestic industry. Economically weak export-competing industries are not threatened by increasing imports, so these industries cannot leverage their vulnerability into a stronger lobbying position. Simultaneously, export-competing in-

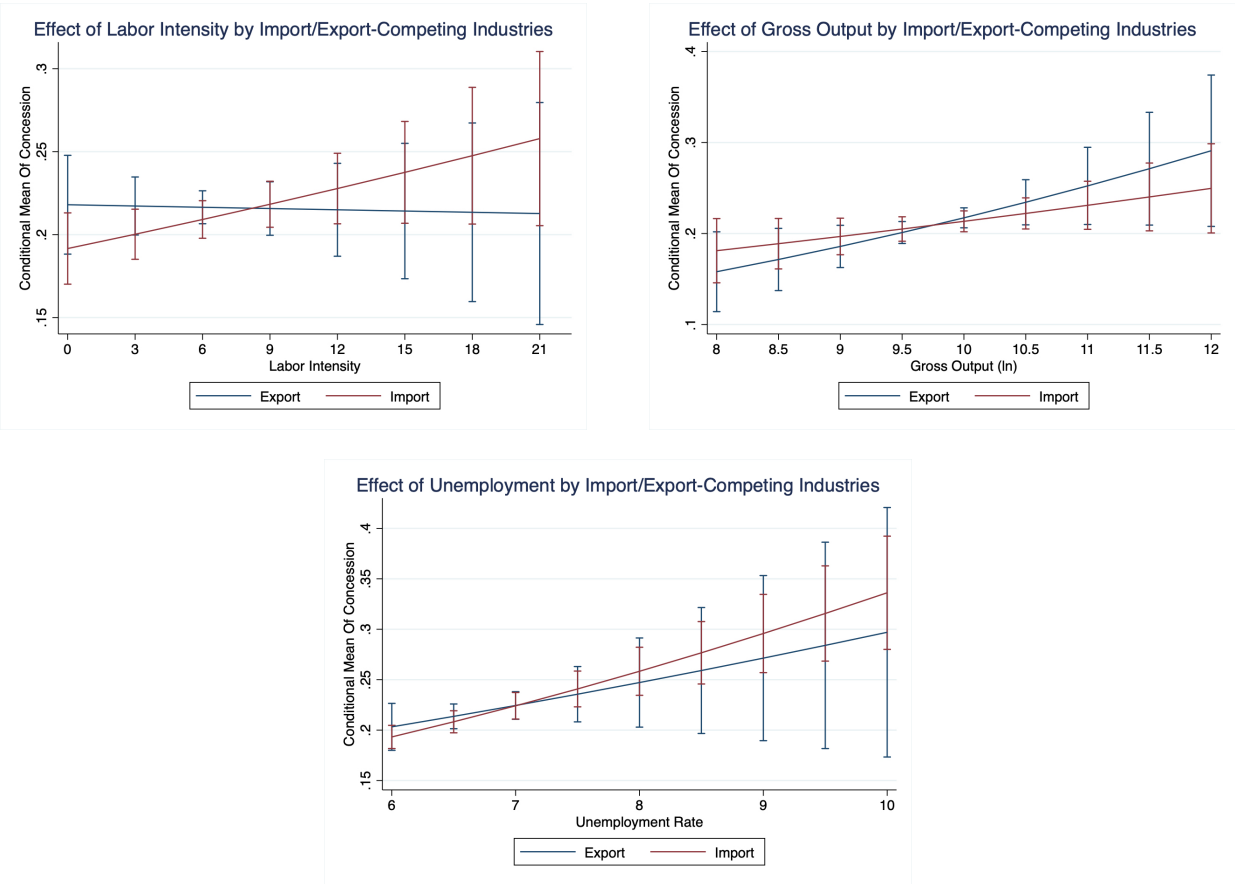
Figure 4.4: Dillon Round - Marginal Effect by Political Importance on Concession Rates



dustries are focused on concessions in markets abroad rather than domestically. Economic vulnerability benefits import-competing industries by increasing the risk of harm from tariff concessions.

The coefficients of the fractional logistic regression report odds ratio. While this allows the coefficient size to be compared, it does not meaningfully indicate the effect of domestic importance on tariff concession size. In order to examine the effect meaningfully, I examine the marginal effect of the political and economic importance indicators by export- and import-competing industries. The marginal effect plots are from the joint model in Table 4.3. Figure 4.4 presents the marginal effects of the political importance variables. While there is no statistical difference between export- and import-competing industries in terms of tariff concession size, the plots still indicate useful trajectories and information about changes in tariff concessions by showing whether export- and import-competing industries are treated similarly or not in negotiations. For employment, the concession level for export-competing industries remains mostly flat around the 20% maximum concession that the United States could offer. On the other hand, import-competing industries start at a lower tariff rate of around 17%, but as employment increases so do the concession size. This lends weak support for hypothesis 1b, and that protection, in terms of smaller tariff concessions, is granted to more vulnerable industries with fewer employees. Regarding union members, both export-

Figure 4.5: Dillon Round - Marginal Effect by Economic Importance on Concession Rates



and import-competing industries are negatively associated with tariff concessions. Industries with more union members experience smaller tariff concessions. This could result from the protectionist effect of unions or an indication of the political influence of unions to have a seat at the table during negotiations. It is important to indicate that the upper levels of union membership bring concession levels up to the 20% maximum rather than below it.

The economic importance indicators offer similar views into trade negotiations. As import-competing industries become more labor-intensive, the tariff concession level increases from below 20% by five points to over 25% tariff concessions. Tariff concessions in export-competing industries remain flat across labor intensity. Simultaneously, both export- and import-competing industries experience increased concession levels by gross output and unemployment rates.

The graphs in Figure 4.4 and Figure 4.5 indicate that import-competing industries are disadvantaged in item-by-item negotiations. Each indicator of domestic importance, except for union membership, experiences higher tariff concessions in import-competing industries. Import-competing industries are less successful at limiting increasing concessions in item-by-item negotiations. Compared to export-competing industries, import-competing industries start at lower tariff concession levels but end up at higher levels as domestic importance increases.

While domestic importance may signal to domestic politicians about the significance of industries, it may simultaneously make these industries targets for foreign states and their request lists. Knowing that the United States needs to offer concessions on its tariff rates in order to receive concessions abroad, other member states may use this leverage to target traditionally protected, import-competing industries in the United States. Domestic importance, which typically benefits industries with receiving greater protection, may actually lead to larger concessions. States may not feel the same pressure to protect economically strong industries from competition. The United States' consideration around which products to add later in the Dillon Round emphasized political risk and possible industry harm (Rusk, 1961). Other member states may use the ability to request concessions on specific products, as the first step in negotiations, to emphasize concessions on domestically important products. This compounds the disadvantage faced by import-competing industries. First, these industries

lack domestic political influence since first-mover advantage lies with export-competing industries. Second, exporting industries in other member states may use their first-mover advantage to target concessions in domestically important, import-competing industries.

An explanation for larger tariff concessions in export-competing industries in the United States is that these industries are not concerned about preventing domestic competition. This is the explanation for intra-industry trade (Baccini, Dur and Elsig, 2017; Madeira, 2016; Osgood, 2017*c*). Since export-competing industries are focused on lowering the trade barriers of other member states, tariff concessions from the United States will not affect these industries the same as their import-competing counterparts. Exporters are unlikely to spend their political capital on limiting concessions domestically instead of lobbying for reduced barriers abroad. While intra-industry trade may not be widespread in the early 1960s (Kim, Liao and Imai, 2020; Osgood, 2018), the larger tariff concessions for export-competing industries may indicate that intra-industry trade was developing.

4.3.1.1 Robustness Checks

Industries' status as export- or import-competing may not generate political influence; rather, importance may be conditional on the strength of the industry. Stronger industries, i.e., have a lower unemployment rate, may be better positioned to gain political advantage through lobbying. This section examines how an industry's economic position affects its political influence during trade negotiations. Politicians and negotiators may be more willing to protect economically struggling industries than based on export- or import-competing distinctions.

The results of Table 4.4 indicate that lower levels of unemployment are associated with higher tariff concessions. On the other hand, none of the interactions between unemployment and domestic importance do not indicate a correlation with lower tariff concessions. Table 4.5 offers an alternative measure to the unemployment rate by using the difference between exits and entrances in industries.¹² This measure of industry decline offers a different perspective on industries' economic positions. The alternative measure offers a few contrasting results

¹²The definition of exits includes firings, layoffs, and voluntary reasons. Entrances include hires into the industry, whether first-time hires or re-hiring an employee previously associated with the industry.

Table 4.4: Dillon Round - Interaction with Unemployment in Industries

	(1) Employ.	(2) Union Mem.	(3) Labor Int.	(4) Output	(5) Joint
Tariff Concessions					
Import-Competing	-0.04 (0.05)	-0.06 (0.05)	-0.04 (0.04)	-0.04 (0.04)	-0.02 (0.04)
Unemployment Rate	0.08 (0.05)	0.10** (0.05)	0.20*** (0.03)	0.18*** (0.03)	0.17*** (0.05)
Employment (ln)	-0.17 (0.12)	-0.09 (0.12)			-0.08 (0.14)
Union Membership (ln)	-0.04** (0.02)	-0.10** (0.04)			-0.01 (0.06)
Interaction: Unemployment and Employment (ln)	0.00** (0.00)				-0.00 (0.00)
Interaction: Unemployment and Union Membership (ln)		0.00 (0.00)			-0.00 (0.00)
Labor Intensity			0.01 (0.01)	0.02* (0.01)	0.00 (0.01)
Gross Output (ln)			0.25*** (0.08)	0.19** (0.08)	0.07 (0.09)
Interaction: Unemployment and Labor Intensity			0.00 (0.00)		0.00 (0.00)
Interaction: Unemployment and Gross Output (ln)				0.00 (0.00)	0.00* (0.00)
Constant	-0.66 (0.92)	-0.93 (1.11)	-5.23*** (0.94)	-4.57*** (0.84)	-2.81 (1.85)
Observations	1140	1140	1140	1140	1140
R^2	.0040	.0037	.0040	.0041	.0048

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

to unemployment rates. The measures of political importance - employment and union membership - are signed in opposite directions. The interaction between industry decline and employment is negative, which indicates that industries with more exits compared to entrances receive smaller tariff concessions. In contrast, entrances compared to exits are associated with higher concession rates. Conversely, the interaction between industry decline and union membership is positive, which indicates that a higher share of exits is associated with larger concessions for industries with more union members. None of the economic importance indicators are statistically significant, but both, labor intensity and gross output, indicate a negative relationship with tariff concession size when there are higher shares of exits in industries.

Figure 4.6 shows the marginal effects of the interactions between industry decline and domestic importance on concession size based on the joint model in Table 4.5. Industries with more exits than entrances and higher employment experience lower tariff concessions compared to industries with more entrances. At lower levels of union membership, industries with more exits receive lower tariff concessions compared to industries with more entrances; however, as union membership increases, the concession rate for exits and entrances converge at 20%. For labor intensity and gross output, industries with more exits experience a slight decline in concession rates while entrances experience larger concession sizes. The results further indicate that the economic strength of the domestic industry affects offers during trade negotiations. Higher rates of exits may signal that the industry is economically weak or may be harmed by increased imports. The strength of industries in the domestic economy influences offers during the bargaining process.

Contrasting the results to Table 4.3, different domestic importance indicators matter with different relationships in industries. The political indicators appear to affect tariff concession size for industries based on the rate of exits and entrances. On the other hand, the economic indicators affect tariff concessions depending on whether industries are export- or import-competing. Different relationships affect which domestic importance variables can affect trade negotiations. The institutional setting of the negotiations shapes which relationships between factors matter. In item-by-item negotiations, import-competing industries are disadvantaged, as evidenced by the null results for the interactions between

import-competing and domestic importance indicators. However, within the institutional setting created by item-by-item negotiations, the relationship between industries' economic strength and political importance indicators. Domestic importance alone is not enough to influence the direction of trade negotiations, but domestic importance coupled with industry features can impact negotiated tariff concessions.

4.3.2 Inclusion and Removal in Agricultural Products

While the section 4.3.1 analysis highlights the role of domestic importance on negotiated tariff concessions, section 4.3.2 examines product inclusion and removal of agricultural products from the United States' concessions. The examination of inclusion and removal of agricultural products supplements the statistical analysis on concession rate offers. Agricultural products are a subset of the overall products covered in the Dillon Round; however, the negotiations extended four months beyond its original deadline because of challenges in reducing tariffs in agriculture (Zeiler, 2012). While manufacturing industries provide more observations, agricultural trade policy has long reflected the belief that the sector is vulnerable and unstable so it cannot be fully exposed to the competition of international trade.¹³ To protect its domestic industry, the United States heavily subsidized its agricultural industry, which created powerful domestic interests to maintain that level of protection (Goldstein, 1993).

Agriculture provides an intriguing industry because it is a domestically important sector for the United States (Zeiler, 2012). However, agricultural products are an export-competing sector (Irwin, 2006; *Trade Policies and the Kennedy Round*, 1967). Nonetheless, the industry offers a glimpse into the role of domestic importance in an industry that is protected from import competition (Goldstein, 1993). Despite being export-competing, agriculture shares many of the same characteristics as import-competing industries. The United States argued for the item-by-item negotiation framework to maintain its agricultural protectionist policies (Goldstein, 1993). Even though agriculture was an export-competing industry, it was treated domestically as an import-competing sector.

¹³<http://www.fao.org/docrep/v6800e/v6800E0i.htm>

Table 4.5: Dillon Round - Interaction with More Job Exits in Industries

	(1)	(2)	(3)	(4)	(5)
	Labor Int.	Employ.	Union Mem.	Output	Joint
Tariff Concessions					
More Exits (1) or Entrances (0)	2.63** (1.07)	-0.85** (0.33)	-0.31* (0.16)	1.35 (1.37)	3.43* (2.07)
Employment (ln)	0.35** (0.14)	-0.02 (0.06)			0.25* (0.14)
Union Membership (ln)	-0.03 (0.03)	-0.09** (0.04)			-0.09*** (0.03)
Interaction: Decline and Employment (ln)	-0.40*** (0.15)				-0.35** (0.16)
Interaction: Decline and Union Membership (ln)		0.09* (0.05)			0.12** (0.05)
Import-Competing			-0.08 (0.05)	-0.07 (0.05)	-0.02 (0.05)
Labor Intensity			-0.01 (0.03)	0.00 (0.01)	0.02 (0.03)
Gross Output (ln)			0.02 (0.10)	0.11 (0.10)	0.13 (0.16)
Interaction: Decline and Labor Intensity			0.01 (0.03)		-0.03 (0.03)
Interaction: Decline and Gross Output (ln)				-0.16 (0.13)	-0.18 (0.17)
Constant	-3.45*** (1.02)	-0.40 (0.54)	-1.29 (1.11)	-2.26** (1.07)	-3.77** (1.68)
Observations	1140	1140	1140	1140	1140
R^2	.0037	.0030	.0027	.0029	.0043

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Figure 4.6: Dillon Round - Marginal Effects of Industry Decline by Domestic Importance
on Tariff Concessions

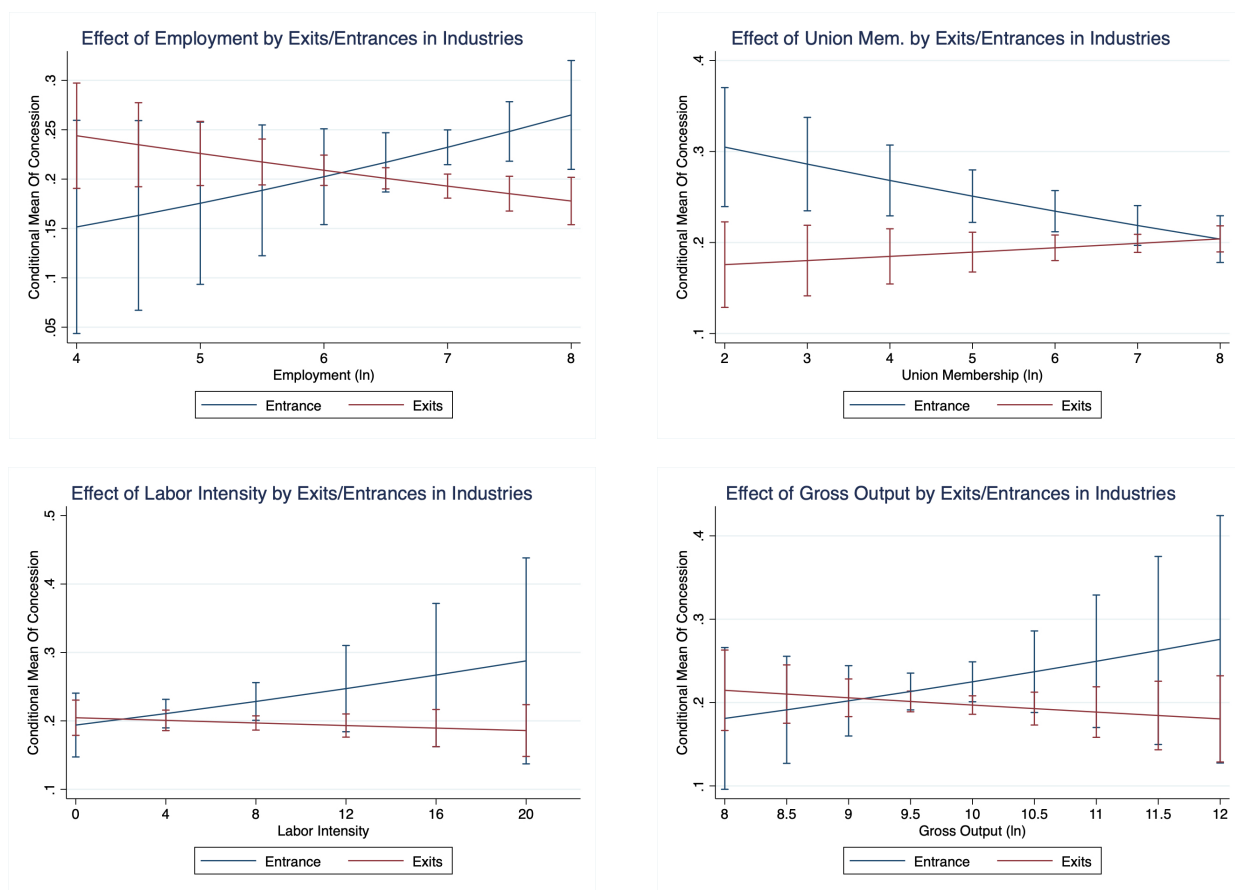


Figure 4.7: United States Agricultural Product Inclusion and Concession Size

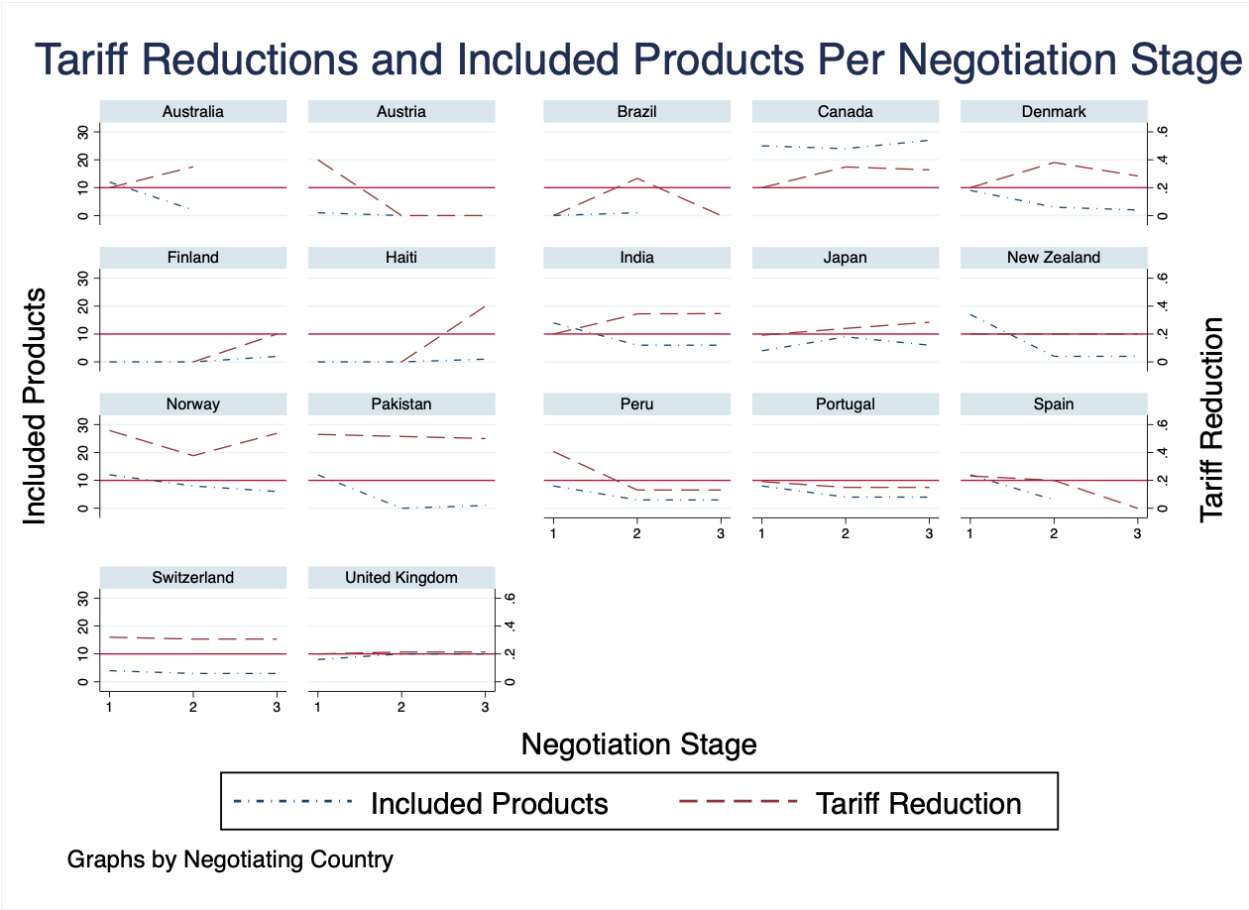


Figure 4.7 shows the number of included products and average tariff concessions at the three negotiation stages - requests, offers, and agreement. The horizontal red line indicates the 20% concession target for United States' offers. The graph indicates significant variation between the number and size of concessions offered to negotiating partners. Some bilateral negotiations did not extend beyond the offer stage of negotiations¹⁴. In other instances, the number of included products changed very little from the initial request stage to the final agreement. Most of the bilateral negotiations with the United States began with higher numbers of concessions, which were reduced in the United States' offers or in the final agreement.

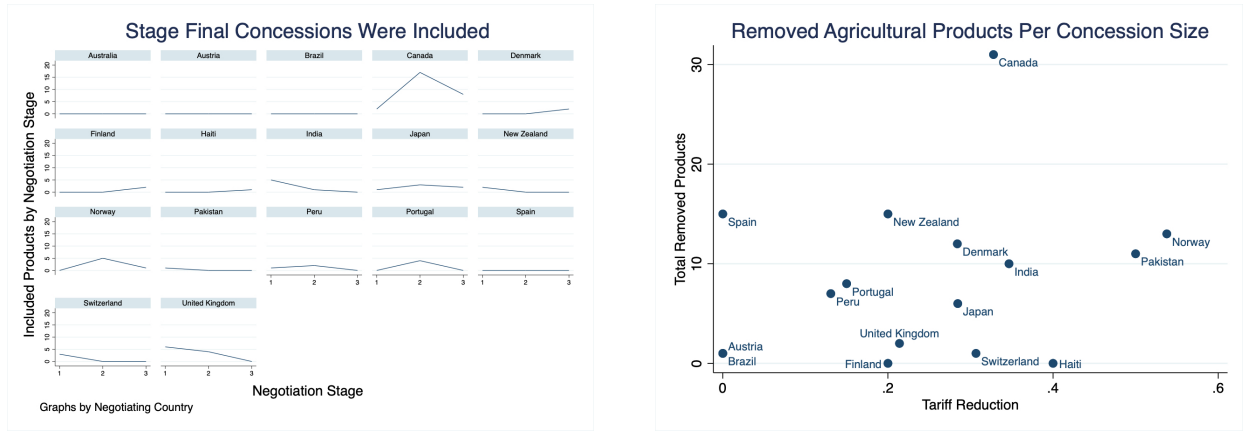
There is substantial variation in the offered tariff concessions from the United States. Interestingly, the average concession requests to the United States were mostly above the 20% threshold. Interestingly, concession rates dip during the offer stage of negotiations but increase again in the final agreement as occurred in the bilateral negotiation with Norway. Further, if negotiations were concluded, tariff reductions were near or over the 20% max concession dictated by the Reciprocal Trade Agreements Act reauthorization. There also appears to be no relationship between the number of products requested/included and tariff reductions.

One explanation for the limited fluctuation in included products is that other products replaced removed products. Figure 4.8 depicts the number of removed products as well as at what stage of negotiations products were incorporated into negotiations. Several of the bilateral negotiations reflect products entering during the offer and the agreement stages. Requested products drop out as the negotiations progressed only to be replaced by other products later. While the number of included products did not appear to shape concession rates, states that received larger tariff reductions also appear to have had more products removed from negotiations.

In the Dillon Round negotiations with Canada, the United States agreed to reduce tariffs on 27 agricultural products while also removing over 30 products from start to finish. Canada's initial request included fewer than 30 products, Figure 4.8 shows that nearly all of

¹⁴Australia submitted a request list to the United States simply to keep the opportunity to negotiate open, but the bilateral negotiations never advanced passed the request stage.

Figure 4.8: Agricultural Product Removal and Inclusion



the requested products were not included in the final agreement. Canada also received an average concession rate near 40%, well over the 20% authorized domestically in the United States. As the bilateral negotiation with Canada indicates, products enter and exit negotiations even though the number of included products does not significantly vary. Bagwell, Staiger and Yurukoglu (2020) indicate that the extensive margin - removing and including products from offers - matter more in the Torquay Round than the intensive margin - adjusting the size of concessions. Figure 4.8 shows that negotiations on the extensive margin occurred at the Dillon Round, but Figure 4.7 indicates that negotiations occurred on the intensive margins as well. However, for agricultural products, changes in product inclusion and removal have more fluctuation than average tariff concessions. The rules of item-by-item negotiations create an environment for states to focus on product inclusion instead of concession rates. The ability for states to directly request products requires their negotiation partner to respond by removing a product, removing and replacing, or including it in the negotiation. The additional stages also offer multiple structured opportunities to remove and include products in negotiations.

One explanation for the limited fluctuation of overall product inclusion and simultaneously high removal rates is that products were removed and replaced by similar products. This could be a strategic way to avoid concessions on specific products while simultaneously

appeasing foreign exporters with access to the United States domestic market. If products are removed and replaced, the overall number of products does not vary significantly throughout negotiations. However, the composition of included products is changing significantly throughout bilateral negotiations. This may suggest that domestic importance plays a role throughout negotiations by influencing which products are included or removed from negotiations.

4.4 Case Study: Dillon Round and Domestic Political Action

Lobbying activity can vary significantly from offering gifts (Grossman and Helpman, 1994), testifying before committees (Lee and Osgood, 2019), or appealing for trade protection (Goldstein, 1986). I employ a broad definition of lobbying that includes efforts to shape political decisions on tariff rates whether it occurs through testifying before Congress, appealing to the United States Tariff Commission, or donating to campaigns. Each action is an attempt to alter existing tariff rates whether because of a disadvantaged position during previous negotiations that led to a tariff reduction or trying to minimize concessions during trade negotiations.

Farrell and Newman (2014) show that import-competing industries lobby for import-relief following the conclusion of GATT rounds. If the item-by-item framework prioritizes export-competing industries, import-competing industries may have limited lobbying options during the bargaining process. Export-competing interests are the most politically active when foreign market access is threatened, which occurs during negotiations (Dür, 2007). Active export-competing lobbying affects the likelihood of lobbying success in achieving protection for import-competing industries (Hathaway, 1998). Instead of lobbying during negotiations, import-competing industries may perceive a higher chance of success post-negotiation when export-competing interests are not threatened.

To examine the import-competing industries' lobbying efforts and reception during negotiations, I analyze reports from the United States Tariff Commission, Congressional documents, and documents from the Kennedy Administration. In light of my theory, I expect

import-competing industries (or industries lobbying against tariff reductions) to be disadvantaged in their lobbying efforts. In general, import-competing industries should also be disadvantaged during the bargaining process. The item-by-item framework that was employed by the GATT advantages export-competing interests at the domestic level. In the United States, domestic level preferences are biased toward exporter interests (Goldstein, 1986; Siles-Brügge, 2014; Strange, 1985). Import-competing industries can still engage in lobbying efforts, but those efforts should be less likely to succeed. As indicated by Goldstein (1986), politicians cannot completely ignore import-competing interests, which creates opportunities for these groups to successfully lobby for their preferred policy outcomes.

4.4.1 Import Injury and Tariff Commission Appeals

One way for import-competing industries to lobby for relief is through the United States Tariff Commission and its escape-clause investigations. The United States Tariff Commission (the Tariff Commission) consisted of six members appointed by the United States' President and confirmed by the Senate. The main role of the Tariff Commission was to investigate and report on matters of foreign trade and tariffs.¹⁵ The Tariff Commission initiated investigations at the request of the President, either the United States House of Representatives or the Senate, the House Committee on Ways and Means, or the Senate Committee on Finance. Additionally, groups - industries, firms, or workers/unions - affected by import competition could petition the Tariff Commission to initiate an investigation into the effects of imports. While the Tariff Commission was not directly elected or a political decision-maker, it could recommend, to the President, whether to revoke previous tariff concessions and comment on the state of competition between domestic products and imports. Invoking an investigation by the Tariff Commission and the President accepting the Tariff Commission's finding of an import injury would mean revoking previous concessions and increased protection from import competition. Tariff relief via a Tariff Commission investigation was far from a guaranteed success, and even if the Tariff Commission did find an injury via imports, the President still had to accept the recommendation. If tariff recommendations were accepted by the

¹⁵ "Forty-Fourth Annual Report of the United States Tariff Commission. *U.S. Government Printing Office*, Washington, D.C., 1961.

President, the products were protected from future negotiations as long as the escape-clause conditions persisted.

Another pivotal role of the Tariff Commission was in peril-point determinations. These investigations were required before the United States entered into any trade negotiations. The President of the United States had to submit a list of products that may be considered for inclusion during the negotiation to the Tariff Commission. Following the investigations, the Tariff Commission then reported the maximum tariff concessions that could be made on each product without causing or threatening serious injury to domestic industry or the minimum tariff increase or additional restrictions to make be necessary to prevent serious injury to domestic industry.¹⁶ Although the Tariff Commission consisted of political appointees, it played a significant role in trade negotiations and determined if import injuries occurred within industries. This position of importance makes the Tariff Commission key to understanding the protection of domestic industries.

4.4.1.1 Tariff Commission Investigations and Recommendations

I analyze the Tariff Commission's annual reports, which include the concluded and ongoing investigations and which group petitioned for the investigation, during the period of the Dillon Round.¹⁷ The annual reports cover the period from July 1st to June 30th. The reports also include the Tariff Commission's recommendations as well as the President's actions based on the Commission's recommendations and findings. The annual reports provide a glimpse into the appeal for relief from import competition and the decision-making behind the decisions of recommending or denying tariff relief.

The crux of investigations conducted by the Tariff Commission occurred through peril-point determinations, but escape-clause investigations were a main aspect of the Tariff Commission. Escape-clause investigations were to "determine whether any product on which a trade agreement concession has been granted is, as a result, in whole or in part, of the customs treatment reflecting such concession, being imported in such increased quantities, either

¹⁶"Forty-Fourth Annual Report of the United States Tariff Commission. *U.S. Government Printing Office*, Washington, D.C., 1961.

¹⁷Each annual report covers the period from July 1st to June 30th. The 1960 annual report includes from July 1, 1959 to June 30, 1960.

actual or relative, as to cause or threaten serious injury to the domestic industry producing like or directly competitive products.”¹⁸ The 1960 annual report indicates that the Tariff Commission completed seven escape-clause investigations and had six investigations still in progress. Of the seven completed investigations, only one petition, cotton typewriter-ribbon cloth, was granted escape-clause protection. The investigation was petitioned by domestic producers in 1959 and was recommended for concession modification in 1960. President Kennedy accepted the Tariff Commission recommendation¹⁹ and restored higher tariff rates on cotton typewriter-ribbon cloth. The remaining six concluded investigations resulted in the Tariff Commission not recommending modifications of concessions and rejecting injury or the threat of injury by imports.²⁰

The 1961 annual report indicates that the Tariff Commission completed nine escape-clause investigations.²¹ Seven of the nine completed investigations resulted in no recommendations for tariff modifications.²² Two investigations - binding and baler twine (Cordage Institute), hard-fiber cords and twines (Cordage Institute) - received equal votes for and against concession modification. In that scenario, the President decides whether to reject or approve of the petition for tariff relief. The President rejected both petitions.²³

During the 1961 annual report, the United States announced its intention to participate in a new round of GATT negotiations. This required President Kennedy to submit a list of products that were being considered for possible concessions in the proposed GATT negotiations. The list of possible concessions sent to the Tariff Commission covered approxi-

¹⁸“Forty-Fourth Annual Report of the United States Tariff Commission. *U.S. Government Printing Office*, Washington, D.C., 1961.

¹⁹(The Tariff Commission’s recommendation for modification of duties was a unanimous 4-0 decision.)

²⁰The remaining investigations involved mink skins (National Board on Fur Farm Organizations), red fescue seed (Pacific Northwest Chewings and Creeping Red Fescue Association), Zinc Sheet (Ball Brothers Co.), Women’s and children’s leather gloves (National Association of Leather Glove Manufacturers), Lamb, mutton, sheep, and lambs (Tariff Commission), and typewriters (Smith-Corona Marchant, Inc. and Royal McBee Corp.).

²¹“Forty-Fifth Annual Report of the United States Tariff Commission. *U.S. Government Printing Office*, Washington, D.C., 1962.

²²(The investigations included barbed wire (Tariff Commission), cast-iron fittings for cast-iron soil pipe (Cast Iron Soil Pipe Foundation and others), crude horseradish (Vegetable Growers of St. Clair and Madison Counties of the State of Illinois), hatters’ fur (Hatters’ Fur Cutters Association of the United States of America), iron ore (Senate Committee on Finance), Cantaloupes (Western Growers Association), watermelons (Imperial Valley and Palo Verde Valley, Yuma and Central Arizona Watermelon Growers Committee).

²³“Forty-Fifth Annual Report of the United States Tariff Commission. *U.S. Government Printing Office*, Washington, D.C., 1962.

mately 2,200 product classifications.²⁴ A supplemental list was later submitted to the Tariff Commission that included an additional 200 products. Based on its findings in the peril-point investigations, the Tariff Commission initiated escape-clause investigations for several products. Of the nine investigations the Tariff Commission initiated due to its peril-point investigations, three recommended tariff modifications, while the remaining six concluded that no modifications were needed. The three modification investigations included baseball and softball gloves, ceramic mosaic tile, and sheet glass. In the peril-point report to the President on baseball and softball gloves, the Tariff Commission found that imports had increased substantially. Imports of baseball and softball gloves increased from 149,000 in 1957 to 2,412,000 in 1960.²⁵ The Tariff Commission found that the sale of domestic gloves decreased from 3,371,000 in 1957 to 2,685,000 in 1960, and production of domestic gloves declined from 3,439,000 in 1957 to 2,752,000 in 1960. Additionally, domestic consumption of imported gloves grew from 4% in 1957 to 47% in 1960. In light of the significant increase in imports and the threats to the domestic industry, the Tariff Commission recommended an increase in tariff duties to 30% ad valorem.²⁶ However, President Kennedy did not immediately accept the Tariff Commission's recommendations and instead asked for additional information before making a decision.²⁷

Following several peril-point investigations being accepted for concession modifications by the Tariff Commission, President Kennedy stated this in a letter requesting additional information for investigations to the Tariff Commission:

The escape clause proceedings are designed to provide relief whenever there is a serious injury, or threat of serious injury, to any domestic industry, resulting from a tariff concession. When fairly and objectively implemented, this provision permits domestic producers to compete on an equitable basis with those supplying similar products from abroad. However, we must be certain that the use of this provision is constructive without being excessive, that it prevents serious injury to domestic producers without unduly restricting without jeopardizing the national interest.²⁸

²⁴Ibid.

²⁵"Report to the President: Baseball and Softball Gloves, Including Mitts. *U.S. Government Printing Office*, Washington, D.C., 1961.

²⁶Ibid.

²⁷"Forty-Fifth Annual Report of the United States Tariff Commission. *U.S. Government Printing Office*, Washington, D.C., 1962.

²⁸Ibid, pg. 14.

The quote indicates that President Kennedy was concerned about granting too much protection to domestic industries. Although the Tariff Commission was not recommending concession modifications for every, or even a majority of, petition, there were still concerns about the Commission recommending modifications on products that the President hoped to include in the upcoming GATT negotiations. The recommendation of concession modification in the escape-clause investigations that resulted from the peril-point investigations would essentially restrict those products from being included in the negotiations. The final decision rests with the President on whether to accept or deny the recommendation, but the decision by the Tariff Commission was viewed as a signal to other states that the United States was willing to protect its domestic industry. However, import-competing interests were disadvantaged under the item-by-item and arguments for protection were minimized to prevent retaliation against domestic export-competing industries.

The 1962 annual report indicates that the President rejected the evidence of import injury on two of the three recommendations that resulted from peril-point investigations.²⁹ The President concluded baseball and softball gloves, along with ceramic mosaic tile, that the evidence did not support the recommendation that serious injury to the domestic industries had resulted from import competition. Sheet glass, on the other hand, received concession modification that raised tariff rates of “certain cylinder, crown, and sheet glass from rates ranging from .7 cent to 1.4 cents per pound to rates ranging 1.3 to 3.5 cents.”³⁰ The rejection of recommendations for tariff modifications reflects the intention behind President Kennedy’s letter to the Tariff Commission that the intention is to protect industries that could show increasing imports caused the injury.

The rejection of concession modifications continued into the standard escape-clause investigations. Of the eight completed investigations, three petitions were recommended for concession modifications. A split vote recommended the petition for modifications on Alsike clover seed on behalf of the Oregon Alsike Seed Growers in the Tariff Commission, which granted the President the ability to side with one group.³¹ In this case, the President sided

²⁹“Forty-Sixth Annual Report of the United States Tariff Commission. *U.S. Government Printing Office*, Washington, D.C., 1962.

³⁰*Ibid*, pg. 22.

³¹*Ibid*.

against increasing import restrictions. The President also rejected the Tariff Commission's recommendation for increased protection for safety pins. The American Carpet Institute, Inc. petitioned for increased tariff protection for certain carpets and rugs, which received unanimous support from the Tariff Commission. After receiving additional information, the President increased tariff rates on "Wilton, Brusse, and velvet (or tapestry) carpets from 21% to 40%."³²

Petitioning the Tariff Commission was unlikely to be successful in achieving increased protection from import competition. The Tariff Commission recommended a few of its petitions for concession modifications, and even if the Commission did support the petition, the President was the final arbiter of whether to approve the recommendation or not. However, in the few cases where tariff relief was successful, tariff duties increased by about 50%. However, the main hindrance to approval was the ability to show that harm was caused by import competition. Further, the Tariff Commission's recommendations on peril-point levels did not completely protect concession levels during negotiations. Tariff concessions agreed to by the United States exceeded the peril-point levels recommended by the Tariff Commission. Additionally, during the Dillon Round, no increases in tariff rates were negotiated during the round.

Petitions to the Tariff Commission were unlikely to end with import protection. If successful, though, the protection granted was significant and extended as long as imports remained a threat. However, receiving recommendations for tariff adjustments from the Tariff Commission did not guarantee relief through tariff rate adjustments. The President still needed to agree with the recommendations, which was not always the case. As highlighted by President Kennedy's letter to the Tariff Commission about the use of escape clause adjustments, the President was more likely to reject the recommendations.

4.4.2 Congressional Hearings and Protection

Participation in Congressional hearings is one of the main ways for industry to influence trade policy and tariff levels. While the Tariff Commission investigated and offered trade

³²Ibid.

policy recommendations to the President, Congress possessed the ability to enact trade-related legislation. The ability to persuade Congress, which may not offer the same reward as an accepted Tariff Commission recommendation, offers the chance to appeal directly to governmental decision-makers. While members of Congress are not directly involved in negotiating trade agreements, they can and do hold hearings with the negotiators to ask questions and possibly influence the negotiators.

The Tariff Commission recommends adjustments to tariff rates, but Congress can propose and implement various trade policies to counter increasing imports. Depending on the industry, tariff modifications may not alleviate import injuries. In that case, appeals to the Tariff Commission would not benefit the injured industry. In a hearing in the Committee on Finance on Chicory and Graphite, J.W. Gehrkin, President of R.E. Schanzer, a domestic processor of chicory, indicated that the chicory industry appealed to the Tariff Commission for tariff remediation in 1954 (*Chicory-Amorphous Graphite Hearing*, 1960). The appeal focused on processed chicory, and the Tariff Commission concluded that increased tariffs would have no benefit for the industry as long as the importation of crude chicory continued unchanged (*Chicory-Amorphous Graphite Hearing*, 1960). Congress offers alternatives beyond tariff adjustments such as import quotas and subsidies. Gehrkin, instead of asking for increased tariff rates, appealed for the suspension of tariffs on crude chicory as a way to benefit domestic processors of chicory (*Chicory-Amorphous Graphite Hearing*, 1960).

Congress's proposal for chicory involved a three-year suspension of tariffs on crude chicory and continue the current tariff of two cents per pound for ground or otherwise prepared chicory (*Temporary Tariff Treatment of Chicory*, 1960). Since no chicory has been grown in the United States since 1954, the domestic industry is entirely dependent on imports of crude chicory. During the Senate Finance Committee hearings, no opposition registered regarding the suspension of tariffs on crude chicory. While this example does not correspond to import-competing industries lobbying for increased tariff rates, it does highlight that assistance can occur in forms beyond tariff rates. The chicory case also highlights that even if imports are not directly competing with another product, it can still threaten domestic industries (*Temporary Tariff Treatment of Chicory*, 1960).

Proposed legislation, S.1747, in the United States Senate would increase tariff rates on

lead-zinc products and offer subsidy payments (*Lead and Zinc Hearing*, 1961). The manager, Miles P. Romney of Utah Mining Association, and the Vice President, Richard A. Young, of American Zinc, Lead & Smelting Co., supported increasing tariff rates as a way to protect the domestic industry from import competition (*Lead and Zinc Hearing*, 1961). Romney stated that the Utah Mining Association fully supports both the increase in tariffs and subsidy provision. However, the mining association argued that subsidies would only provide short-term relief from import competition and that an effective, long-term solution depended on increasing tariffs. Young stated that the industry was unanimously in favor of increased tariff rates but argued for smaller tariff increases to prevent permanent injury to long-range markets and to the interests of consumers of lead and zinc. The chairman of the Emergency Lead-Zinc Committee, Clark L. Wilson, noted that the Tariff Commission had unanimously found import injury in the lead and zinc industry and that the industry had participated in numerous House and Senate hearings with no effective solutions implemented. Wilson indicated that the imports exceeded domestic production for both lead and zinc in 1960 and that employment in domestic mines decreased by 60% from 1952 to 1959 (*Lead and Zinc Hearing*, 1961). As stated in Wilson's testimony before the Senate, the only action to assist the domestic lead-zinc industry was the establishment of a quota that the industry believed to be more favorable to foreign importers.

Following the Senate hearing, the Committee on Finance directed the Tariff Commission to further study the effect of imports on lead, zinc, and certain other minerals (*Tariff Commission Studies on Metals*, 1961). The Finance Committee stated the following regarding the investigation request: "It is important that the Congress be furnished with adequate information concerning general conditions in these vital industries. Should new emergencies arise and Congress be required to act quickly, this up-to-date information would be most valuable" (*Tariff Commission Studies on Metals*, 1961, p 2). While the result of the hearing was another investigation by the Tariff Commission, the hearing shows that active lobbying for assistance against imports and Tariff Commission recommendations that there is domestic injury due to imports may not be enough to offer increased protection.

While the lead-zinc industry was united in lobbying for increased tariffs, the domestic amorphous graphite industry was divided during its hearings and lobbying efforts. The

United States Senate introduced legislation to temporarily suspend tariffs on certain amorphous graphite. During the 1955 GATT round, the tariff rates on natural graphite were reduced to 2.5%, while duties on artificial graphite remained at 5% (*Temporary Suspension of Duty on Certain Amorphous Graphite*, 1960). In a hearing before the Committee on Finance in the Senate, the president, W.L. Shumate, Jr., of General Graphite Co., stated, “All industry is now complaining about foreign competition - it applies to steel, automobiles, textiles, and other industries. We cannot pay the high prices that labor asks, as well as the government insists on – in competition with foreign labor prices. If this bill is passed, foreign graphite will make it practically impossible to operate” (*Chicory-Amorphous Graphite Hearing*, 1960, p 27). On the other hand, Howard W. Cannon argues that the current tariff rate on natural graphite protects a domestic industry that does not exist and requires consumers of natural graphite to pay higher prices than necessary (*Chicory-Amorphous Graphite Hearing*, 1960). The United States imports 95% of its natural graphite (*Temporary Suspension of Duty on Certain Amorphous Graphite*, 1960). The removal of the 2.5% tariff rate on natural graphite would benefit those within the industry that process graphite. Simultaneously, if the United States imports 95% of its natural graphite supply, there are very few within the industry that benefits from the current or higher tariff rates.

Lobbying Congress through hearing and testimony provides another benefit to domestic industry by having Congress appeal to the President for action. One industry that benefited from the pressure of Congress was the textile industry. Due to the impact of imports on the domestic textile industry, the House of Representatives urged the President to utilize his authority, granted by Congress, to establish import quotas by country and by category (*House of Representative to President Kennedy, March 23, 1961*, 1961). In another letter from the House Textile Group for the President, the group stated that they “are speaking for every segment of the textile industry and every geographical section of our country. Represented here are the wool and wool growers, man-made fibers, apparel and garment makers, and the carpet industry as well cotton and cotton producers” (Vinson, 1961, p 1). The textile industry’s import challenges could not be solved by tariffs, so appealing to the Tariff Commission for tariff adjustment recommendations would not solve the industry’s import injuries. Despite repeated appeals, the industry has received no redress under the

escape clause (Vinson, 1961). The House Textile Group argued:

Any action short of import quotas will not address itself to the problem nor will it be timely enough to prevent further irreparable harm not only to the textile industry, but to its hundreds of thousands of employees who are daily experiencing reduced payrolls and loss of jobs because of these critical conditions (*House of Representative to President Kennedy, March 23, 1961*, 1961, p 1).

Given the state of textile imports, the domestic industry is unable to plan expansions or production runs because the industry is uncertain of which textile exporting country will import large quantities of textiles into the United States (Vinson, 1961).

However, finding a solution that all producers within the industry supported was an additional challenge. A one-price cotton program was supported by the industry and about 90% of the cotton growers; however, resistance from the large cotton growers made passage of the program questionable (McClellan, 1961). While having Congress on the side of domestic industry, action still may be required from the President. This is another area where lobbying Congress be beneficial. Instead of domestic industry having to lobby the President, Congress can pressure the President on behalf of the industry. As the textile industry example indicates, proposed solutions, as a result of Congressional pressure, may not always be acceptable to the entire industry.

In the early GATT rounds, trade negotiations emphasized tariff rates as a way to reduce barriers to trade. This emphasis may restrict lobbying activity by certain industries since the negotiations centered on tariff reductions. For domestic industries such as chicory, lobbying for increase tariff protection would have limited to no benefit, so these industries may not lobby for protection before or during negotiations. On the other hand, if the negotiations included or focused on non-tariff barriers, these industries may be more inclined to lobby as non-tariff barriers are more important to their protection from imports.

4.4.3 Domestic Interests and Dillon Round Negotiations

The above discussion of Tariff Commission investigations and recommendations, along with participation in Congressional hearings, involves industries' efforts to undo tariff concessions or prevent the reduction of tariffs further. This section examines the interests of

those involved in shaping the direction of the GATT negotiation. This also allows for a deeper accounting of how the institutional rules shaped actions during the negotiation and the role of individuals' interests on the negotiated outcomes.

Before the start of the Dillon Round, the United States published a list of products that it was considering seeking concessions on from other countries (*14th Report: Operation of the Trade Agreements Program*, 1964). On the "export list", exporters were invited to provide either oral or written statements with suggestions for additions or deletions from the export list. The export list was new to the Dillon Round in the United States and was not used in earlier negotiating rounds. However, exporters were still given an opportunity to request concessions from the Committee on Reciprocity Information in the earlier GATT rounds. Regarding import-competing industries, Craig Mathews, in a letter about then-Senator Kennedy's position on trade, explained that important domestic industries might suffer "extensive damage in consequence of import competition" before achieving the desired economic growth domestically and economic conditions internationally (Mathews, 1960, p 2).

In the early stages of the Dillon Round, the Kennedy Administration criticized the Eisenhower Administration, which oversaw the initial phases of planning for the Dillon Round, for restricting possible domestic concessions to a limited list of products (Rusk, 1961). The Tariff Commission also limited the ability to offer concessions by setting "highly debatable peril-points" for numerous products. If concessions go below the peril-points set by the Tariff Commission, the President is required to submit a letter to Congress detailing the concessions (Southworth, 1960, p 1). The public nature of the letter to Congress restricts negotiators and the President from offering concessions that go beyond the peril-point recommendations. Due to these constraints, the United States' negotiators did not have the authority to offer concessions to satisfy "even the modest requirements of reciprocity" with the European Economic Community and the United Kingdom (Rusk, 1961). The lack of authority to match the EEC's and UK's offers raised the concern that the two members would withdraw their initial 20% across-the-board offers. Additionally, the United States would not be able to reduce the EEC's external tariffs of the Common Market to United States exporters.

To ensure the EEC and UK did not withdrawal their initial offers, the United States

negotiators required the authority “to cull the list of peril-point items on which concessions had been requested by the Common Market and the United Kingdom to extract those items that might be included in additional offers at a minimum political risk” (Rusk, 1961). The United States hoped that including all or part of the peril-point products would maintain the EEC’s and UK’s offers and obtain concessions on specific items of interest to American producers (Rusk, 1961). The United States viewed the EEC’s offer as being extremely advantageous to the United States’ exporters; however, it was acknowledged that the United States needed new powers in order to offer greater industrial concessions to the EEC as a way to gain agricultural concessions (Ball, 1961).

The Kennedy Administration viewed the Dillon Round bargaining outcomes as a success since the United States benefited from the industrial concessions offered by the other GATT members, but also, the United States received those concessions without significant sacrifice to any domestic industry (*Conclusion of GATT Negotiations*, 1961). The concessions received, especially from the EEC, offered around 20% tariff reductions on most industrial products that the United States is a major supplier. The concessions that the United States received benefited \$792 million of exported products while the offered concessions applied to \$559 million of imports and rebind duties at the current rates on \$97 million of imports (*Conclusion of GATT Negotiations*, 1961). However, the Kennedy Administration argued that the value of imports is overstated as \$300 million of imports is a proposed reduction on automobiles, and those concessions would be unlikely to significantly increase foreign exports of automobiles to the United States. Negotiating agricultural concessions with the EEC was more complicated as the EEC’s Common Agricultural Policy was not entirely set in place yet, so the EEC could not make firm commitments on 30% of the United States’ exports (*Conclusion of GATT Negotiations*, 1961). The Kennedy Administration argued that the concessions offered to the United States outweigh the concessions offered by the United States in the Dillon Round negotiations.

The United States believed that the Dillon Round was a success for its exports to gain significantly improved access to the European Common Market. However, to achieve those concessions, the United States had to include products that the Tariff Commission included on its peril-point list that could face the threat of or actual injury from lower tariff rates

and increased imports. The concessions offered by the United States exceeded peril-point levels established by the Tariff Commission. The inclusion of these domestically vulnerable products was viewed as a requirement to secure the concessions offered by the European Economic Community and the United Kingdom. The Kennedy Administration argued that the threat of increased imports was overstated as a large portion of the offered concession would not result in significantly increased imports based on trade flows. Nonetheless, the focus for the United States in the Dillon Round negotiations was gaining improved advantages for exports, and exporters were allowed to submit requests for additions or removals on the list of concessions that the United States would seek from other countries at the beginning of the Dillon Round negotiations. While the Eisenhower Administration partially tied the hands of the Kennedy Administration by initially restricting the list of possible concessions, the Kennedy Administration granted negotiators the authority to make additional concessions that may have led to domestic injury based on the Tariff Commission's investigations.

The interests of export-competing industries were prioritized in negotiating the Dillon Round. The Eisenhower Administration's restriction of possible concessions reduced the advantage of export-competing industries in the negotiations. Access to foreign markets dominated the focus of the United States in the bargaining process. Concessions were increased and products added if there was no immediate political risk (Rusk, 1961). The significant support for export-competing industries severely limited the influence of domestic importance in shaping offers on import-competing industries.

4.4.4 Import-Competing Industries, Political Action, and the Dillon Round

The effect of the item-by-item framework to disadvantage import-competing industries was extenuated by domestic institutions. The Eisenhower Administration severely restricted the list of possible concessions before the start of the Dillon Round and the Kennedy Administration (Rusk, 1961). Simultaneously, the item-by-item framework did benefit export-competing interests since these industries were invited to submit suggestions regarding concessions that the United States should request at the beginning of the bargaining process (*14th Report: Operation of the Trade Agreements Program*, 1964). The GATT's negotiation

rules did shape the actions of domestic actors by bestowing export-competing industries with first-mover advantage, but that benefit was mitigated by domestic institutions limiting the possible concessions on import-competing products.

If the list of concessions was not limited, import-competing industries may have been further disadvantaged during the Dillon Round. The United States included products that had been previously protected as a result of peril-point investigations by the Tariff Commission to maintain concessions offers that benefited export-competing industries (Rusk, 1961). There was concern about including the peril-point products because it required a public letter to Congress explaining why concessions exceeded those recommended by the Tariff Commission. Although the additional concessions were not a direct result of first-mover advantage, it reflects the bias toward export-competing industries (Goldstein, 1986).

The results of the qualitative analysis for the Dillon Round show that international institutions determine first-mover advantage, but the advantage is affected by domestic institutions. Further, import-competing industries were disadvantaged as a result of international rules. Import-sensitive products were included in the bargaining process and concessions exceeded the levels set by the Tariff Commission. Import-competing industries also lobbied for import relief as a result of previous GATT negotiations to achieve higher tariff levels and protection in future bargaining rounds. Import-competing industries also lobbied Congress for protection or additional action to benefit domestic industries. The arguments for protection during Congressional hearings emphasized issues of domestic importance such as employment and the industry's economic health. Rather than stronger domestic industries advocating for protection, economically threatened industries appealed to Congress for protectionist policies. Despite import-competing lobbying efforts, the United States included previously excluded products and offers over the peril-point levels established by the Tariff Commission.

4.5 Conclusion

The institutional rules of the GATT benefited U.S. exporters. The qualitative analysis highlights that the best chance for industries of protection from concessions was the Tariff Commission and its escape clause and peril-point investigations. However, as highlighted by Rusk (1961), the United States was willing to bypass the peril-point recommendations of the Tariff Committee to secure improved access to foreign markets for exporters. If the Tariff Commission did find import injury, the President could, and did, reject the recommendations for increased tariff protection. Prior to the start of the Dillon Round, exporters were invited to provide suggestions on the list of concessions that the United States wanted to pursue throughout the negotiations (*14th Report: Operation of the Trade Agreements Program*, 1964). The quantitative analysis shows that union membership in industries is a driver of smaller concessions granted during the Dillon Round. The remaining domestic importance variables do not reflect smaller concession rates as industries become more significant domestically. The effect of union membership on tariff concession size is likely the result of collective lobbying. Tariff Commission investigations were often initiated by unions and associations.³³ Nonetheless, international institutional rules shape how domestic institutions and industries interact during negotiations. The item-by-item approach mobilized export-competing interests via first-mover advantage because the first stage of the bargaining process was requesting concessions from other members.

³³ “Forty-Fourth Annual Report of the United States Tariff Commission. *U.S. Government Printing Office*, Washington, D.C., 1961.

5.0 Revenge of Import-Competing Industries: First-Mover Advantage and the Kennedy Round

Institutions evolve throughout their existence. The initial design of institutions often necessitates the need for future institutional reform (Fioretos, 2011). Institutional change can occur in a variety of ways with varying intended consequences (Streeck and Thelen, 2005). Depending on the objectives for the reforms, institutional change may be more limited or expansive. Institutional reform in the GATT occurred in rule revisions¹ or major institutional restructuring (Jupille, Mattli and Snidal, 2013).²

Following the conclusion of the Dillon Round, the GATT decided to revise its negotiating format. The item-by-item approach would no longer be the main negotiating format in the GATT; rather, the linear (across-the-board) approach would be the primary negotiating structure. The Kennedy Round was the first negotiation to employ the linear framework. The Kennedy Round provides an ideal test of how international institutional reform affects domestic actors in bargaining outcomes. Moreover, the round occurred during the same decade as the Dillon Round limiting the influence of geopolitical events.

This chapter examines the Kennedy Round and the effect of the linear negotiation framework on domestic actors' influence in bargaining outcomes over trade policy. Specifically, I analyze the effect of the linear negotiation rules on import-competing industries, the size of tariff concessions, and product inclusion during negotiations. While the item-by-item approach was criticized for prioritizing protectionist interests,³ the linear negotiation format was argued to negate protectionist interests and expedite tariff reductions.⁴ On the other hand, states were allowed to submit a product exemption list before the start of negotiations. The exemption list was intended to be restrictive and required that inclusion on the exempted list "must be in respect only of specific items where there are compelling grounds

¹Changing negotiating rules are examples of minor changes

²The GATT's transformation into the WTO demonstrates significant institutional reform.

³"Views of the United States Regarding So-Called Ecrtement and Other Proposals for Unequal Linear Reduction of Tariffs." General Agreement on Tariffs and Trade, 24 April 1963.

⁴"Procedures for Tariff Reductions: Note by the Executive Secretary." General Agreement on Tariffs and Trade, 8 October 1962.

of national importance.”⁵ I argue that linear negotiations in the GATT prioritize import-competing interests by allowing those interests to receive exemptions from inclusion during the negotiating round. The first step of linear negotiations is for states to submit product exemption lists allowing import-competing interests to lobby their domestic governments for omission from being included in negotiations.

The analysis of the Kennedy Round employs a mixed-methods approach. The analysis begins with a quantitative examination of concession size and whether import-competing industries bore the brunt of larger concessions. If domestic import-competing industries could successfully lobby for inclusion on the excluded list, it would grant them protection during the Kennedy Round negotiations. The first-mover advantage shifts from export-competing to import-competing industries since the first step in the bargaining process is the release of exemption lists. Shifting the first action to import-competing industries should benefit their interests during the Kennedy Round, so import-competing industries should exhibit lower product inclusion. If, however, import-competing products are included in the negotiations, first-mover advantage may result in lower concession rates for import-competing industries. In addition, the chance to argue for exemption from negotiations may further benefit import-competing industries later on if they are included in the bargaining process. To supplement the quantitative evidence, I conduct a detailed case study of bargaining at the domestic level and whether import-competing industries were advantaged in their political efforts due to possessing first-mover advantage. The qualitative case study allows for greater detail on the bargaining process at both the domestic and international levels. The chapter, additionally, details the selection criteria for the Kennedy Round, data collection, research design, and methodology.

⁵ “Working Party on Procedures for Tariff Reduction: Record of Points Examined at the Meeting of March 1963.” General Agreement on Tariffs and Trade, 2 April 1963.

5.1 Data Collection and the Kennedy Round Documents

The focus of this chapter is on negotiations and domestic lobbying activity during the GATT's Kennedy Round. To examine the negotiation process, I collected data from declassified documents of bilateral negotiations on tariff reductions.⁶ These declassified documents offer a glimpse into the bargaining process that occurred during these rounds. The WTO's decision to release the negotiating material from the GATT gives a behind-the-scenes view of trade negotiations.

I leverage the information within the documents to examine the effect of institutional change on the influence of domestic actors over bargaining outcomes. The documents provide detailed accounts of negotiations and what states offered to other GATT members. The documents on the United States' offers include brief explanations on why products are excluded from negotiations. By collecting the data contained within the documents, I can examine the inner workings of trade negotiations to analyze how international change affected the outcome and actions of domestic groups during the bargaining process.

The negotiation documents for the Kennedy Round are significantly different from those of the Dillon Round. The Dillon Round documents included three different stages of the negotiations, and the Kennedy Round documents consist of the final concession offers and revisions of that final list. The documents provide less detailed information about the back-and-forth of negotiations. Still, they offer crucial details about the bargaining process and which products were exempt from negotiations and why. The sampled data from the GATT documents is of tariff concessions granted by the United States. The collected data consists only of the final list of agreed-upon concessions by the United States. While the disclosed documents include more information than the final concessions, the main focus of the data collection is on the final concessions and which products are included in the final list. The final concessions provide a detailed list of all products that the United States was willing to lower tariffs on. The existing literature uses tariff rates over time (Betz, 2017; Kim, 2017) or

⁶The WTO declassified these documents in 2013. The released documents are from the following rounds: Geneva (1947), Annecy (1949), Torquay (1950-1951), Geneva (1956), Geneva/Dillon Round (1960-1961), Kennedy Round (1964-1967), Tokyo Round (1973-1979), and Uruguay Round (1986-1994). The documents can be found at https://www.wto.org/english/docs_e/gattbilaterals_e/indexbyround_e.htm

flow of trade between states (Gowa and Kim, 2005). These measures do not directly account for products included in GATT negotiations because there are numerous reasons that tariff levels change.⁷ The data collected in this dissertation includes products included during a trade negotiation, which allows for the analysis of what affects concessions and inclusion in trade negotiations. The data from the GATT documents allow for the direct examination of trade negotiations rather than the trade after the conclusion of negotiations.

The final list of concessions encapsulates the entire negotiation to the finalized offers. The quantitative analysis of the Kennedy Round emphasizes tariff reductions and whether import-competing industries benefited from the ability to act first in the trade negotiations. Additionally, the GATT documents offer a glimpse into product inclusion and which products are likely to be protected during trade negotiations. Finally, the Kennedy Round documents provide the opportunity to analyze the role of domestic importance for product inclusion and tariff concessions size.

The data collection focuses on the offered concessions at the end of the bargaining round. The United States' bilateral documents include both the present tariff rate on products and the offered rate. The documents also indicate whether a tariff rate was to be bound at that rate. I collect data on the reported current and final concession rates.

The main information collected from the GATT negotiation documents includes product description, tariff ID number, tariff duty unit⁸, current tariff rate, and new concession rate. At the time of the Kennedy Round, current identification strategies for products and tariffs were not in place yet.⁹ For the collected data to possess a uniform identification, I code corresponding Harmonized System (HS) codes for the products included in the final list of concessions.¹⁰ The HS codes provide a unified international identification system for the products and allow for the matching of products across the GATT members to a single identification.¹¹ The products were matched based on the product descriptions from the

⁷Tariff rates can change because of acts of Congress, expiration of tariff freezes or special programs, Tariff Commission escape-clause investigations, or non-GATT trade agreements.

⁸ad valorem, weight, length, unit, etc.

⁹For example, the Harmonized Systems was not implemented until 1988

¹⁰To match the products to HS codes, I use the Harmonized Tariff Schedule provided by U.S. International Trade Commission at <https://hts.usitc.gov/>.

¹¹The data collection for this dissertation only includes the United States' concessions. Implementing the HS identification system on the collected data allows for future data collection and identification guidelines

Figure 5.1: Example of United States' Kennedy Round Concessions

UNITED STATES OFFER LIST				5
Sixth Round of Negotiations				
General Agreement on Tariffs and Trade				
Tariff item number	Description of products	Offer rate of duty	May 4, 1964 "statutory" rate of duty	
100.01	Animals (except black, silver, or platinum foxes, and any fox which is a mutation, or type developed, therefrom), certified to the collector of customs by the Department of Agriculture as being pure bred of a recognized breed and duly registered in a book of record recognized by the Secretary of Agriculture for that breed, imported by a citizen or agency of the United States specially for breeding purposes, whether intended to be used by the importer himself or for sale for such purposes.....		Free	B-GATT
100.03	Animals, domesticated, straying across the boundary line into any foreign country, or driven across such boundary line by the owner for temporary pasturage purposes only, together with their offspring: If brought back to the United States within 8 months.....		Free	D
100.04	Other.....		Subject to rates set forth in this part	D
100.05	Animals, game, imported to be liberated in the United States for stocking purposes.....	Free	Free	
100.07	Live birds: Chickens, ducks, geese, guineas, and turkeys: In the downy stage with quills not discernible.....	Free 1/	2¢ each	
100.09	Other.....	Free 1/	2¢ per lb.	
100.15	Pigeons, fancy or racing.....		Free	B-GATT
100.20	Quail, bobwhite.....	10¢ each	20¢ each	
100.25	Other live birds: Valued not over \$5 each.....	8¢ each	17¢ each	*
100.30	Valued over \$5 each: Canaries.....	5% ad val.	10% ad val.	
100.31	Other.....	4% ad val.	8% ad val.	

Kennedy Round negotiation documents and the descriptions in the Harmonized Systems.

5.2 Research Design

In this section, to test the argument that international rules affect domestic actors' influence over bargaining outcomes, I examine the collected data on United States' tariff concessions and product inclusion in the Kennedy Round. While the time frame for the analysis only includes one negotiating round, there is still significant variation in both the dependent and independent variables in the collected data. The Kennedy Round provides a critical test of the theory since it is the first GATT round to utilize the linear negotiation format. The round provides a crucial test of the theoretical argument. During the Kennedy Round, the United States provided concessions on 4,347 products. The *unit of analysis* is *product-industry*.

5.2.1 Dependent Variable

The products from the GATT documents constitute the main dependent variables of tariff concession size. **Tariff concession size** is calculated as the percent change from the existing tariff to the new, negotiated rate. The trade literature has largely focused on tariff reductions and trade volume when examining trade liberalization (Goldstein, Rivers and Tomz, 2007; Rose, 2004a; Subramanian and Wei, 2007). Tariff concession size is in line with the existing literature.

Some products have two or more types of tariffs - *ad valorem* and unit - or multiple tariffs of the same unit. For these products, I calculate the percent change for each tariff and average the percentages, so only one value remains. During the Kennedy Round, the United States was authorized to provide concessions up to 50% on products. The dependent variable addresses whether countries tried to limit the size of concessions. If foreign countries target products, the products may be included but with a smaller concession size. Concession

for data collection beyond the United States.

size tells a significant story about the outcome of the negotiations. Using a measure of the negotiated concessions, I can examine the role of domestic importance during negotiations.

Beyond tariff concession size, I include another dependent variable: **Product inclusion**. The inclusion variable is measured as a binary variable. A product is coded as one (1) if it is included in the final concession offer and zero (0) if it is exempted from the negotiations. GATT/WTO has had the greatest impact in increasing trade in previously non-traded products rather than through trade volume (Dutt, Mihov and Van Zandt, 2013). The GATT's motivation for reforming the negotiating framework to the linear model was to reduce the influence of import domestic sectors. By collecting data on product inclusion and exemption, I analyze domestic importance in product inclusion and exclusion.

5.2.2 Independent Variables

The independent variables are from the Bureau of Economic Analysis (BEA).¹² The data from the BEA is at the industry level, which required identifying which industry classification corresponded with the HS product classification. From the BEA, I selected four variables that reflect industry importance for the United States' economy. The first variable reflects the level of employment in industries: **Employment**. Employment measures the number of part- and full-time employees in an industry. Since the GATT data only consists of final tariff concessions and exemptions, I average the variable during the years the Kennedy Round was negotiated.

The next variable reflects the importance of industries for GDP evaluation and the overall economy: **Gross output**. Gross output measures the total value added in million US dollars of goods produced by an industry. This variable is averaged for the duration of the Kennedy Round.

Following Chase (2005), I create a labor intensity variable for each industry.¹³ Chase finds that labor intensity is an important factor for tariff levels in 1964. Labor intensity is measured as compensation divided by value-added. The measure accounts for comparative

¹²bea.gov

¹³Examples of high labor intensity industries during the 1960s include textiles, clothing, and glassware (Chase, 2005).

costs and the amount of labor required for products across industries. Industries that produce more labor-intensive products may possess greater domestic importance during negotiations because competition for these industries could be more detrimental given the required labor.

Data on union membership from 1964 to 1967 is collected from the “Directory of National and International Labor Unions in the United States.”¹⁴ The documents from the United States Department of Labor include information on the number of members in unions, percent of members, and whether membership is affiliated with the AFL-CIO or unaffiliated within industries. Since I am interested in the outcome of the Kennedy Round, I average total union membership from 1964 and 1966. Industries with more union members may possess greater domestic importance given the collectivized nature of unions’ political activities.

An additional independent variable to measure domestic importance is industry decline. The strength of industries is likely to influence their domestic importance during trade negotiations, especially for import-competing sectors. Declining industries are unlikely to be able to exert the same level of political influence. However, these industries may receive additional protection in an attempt to save firms from collapse. To measure industry decline, I employ two measures: 1) unemployment rate and 2) the difference between accession and separations within industries. The unemployment rate signals the strength and economic position of industries. The difference between accession and separation indicates whether firms within industries lose employees or attract new workers from competing sectors. These measures are collected from the “Handbook of Labor Statistics 1969” published by the United States Department of Labor. Both variables are averaged across the duration of the Kennedy Round.

In addition to the four variables above, I include a variable on whether a product is from an export- or import-competing industry. **Import** is measured as a one (1) if the product is from an import-competing industry and zero (0) if the product is from an export-competing industry. I rely on historical data to determine whether an industry was export- or import-competing. Irwin (2006) provides data for exports and imports for broad categories of

¹⁴The United States Department of Labor and Bureau of Labor Statistics published the directory every other year - 1964 and 1966. The two publications provide data on union membership for the duration of the Kennedy Round.

industries.¹⁵ Using the Harmonized System classification, I was able to determine the broad category for each product from the GATT documents. Next, to determine whether the broad categories from Irwin (2006) are export- or import-competing, I add the export and import values for each year that the Kennedy Round was negotiated. If the broad category experiences more exports than imports, the broad category and products were classified as export-competing and vice versa.

Import-competing industries are industries that compete with imports (Osgood, 2018). Much of the literature uses imports for industries or products (Betz, 2017; Milner, 1988*b*; Osgood et al., 2017). The dichotomous variable is a slight deviation from existing literature. However, the dichotomous variable is more applicable for the analysis since the argument emphasizes the differences between export- and import-competing industries. Additionally, the binary measure allows for variation during the negotiating round by comparing exports and imports across the duration of the Kennedy Round.

Given the small sample size in terms of time, the model is sensitive to the risk of including ‘bad’ control variables (Angrist and Pischke, 2009). Bad control variables are post-treatment, in the sense that they are caused by my main independent variable. When these control variables are included, estimates suffer from post-treatment bias (Acharya, Blackwell and Sen, 2016). Therefore, I prefer a simplistic model and rely on a case study of the lobbying during the Kennedy Round to strengthen my causal argument.

5.2.3 Methodology

For the quantitative analysis, I use a fractional logistic model. One benefit of a fractional logit model is that it includes the boundaries of zero (0) and one (1) in the analysis. The dependent variable, tariff concession size, is bound between zero and one. Some tariffs are completely removed from products, while other tariffs did not change but were bound at that rate. Logistic and probit models are only restricted to the boundaries. Beta-distribution regression models are similar to fractional logistic models, but beta models do not include

¹⁵The broad categories include agricultural goods; industrial supplies and materials; capital goods except automotive; automotive vehicles, parts, and engines; consumer goods except automotive; military goods; and not elsewhere classified.

Table 5.1: Kennedy Round Summary Statistics

	Mean	S.D.	Min.	Max	Obs.
Tariff Concessions	0.51	0.13	0.00	1.00	4347.00
Included	0.86	0.34	0.00	1.00	5174.00
Import-Competing	0.52	0.50	0.00	1.00	4347.00
Employment (ln)	6.90	0.54	4.42	7.50	4347.00
Gross Output (ln)	10.23	0.62	8.57	11.35	4347.00
Labor Intensity	7.15	3.92	1.93	22.83	4347.00
Unemployment Rate	4.24	0.85	3.55	7.50	4347.00
New Entrances	4.55	1.33	1.95	6.53	4347.00
New Hires	3.65	0.95	1.70	5.35	4347.00
Exits	3.61	1.23	1.60	5.70	4347.00
Quits	2.21	0.71	0.80	3.70	4347.00
Layoffs	1.47	0.81	0.62	4.07	4347.00
Number of Unions	25.89	7.64	6.00	36.50	4347.00
AFL-CIO Membershiop (ln)	6.65	1.02	2.71	7.83	4347.00
Unaffiliated Membership	4.45	1.28	2.25	6.14	4347.00
Union Membership (%)	6.98	4.93	0.12	14.90	4347.00
More Layoffs (1) or New Hires (0)	0.00	0.04	0.00	1.00	4347.00

the boundaries. Since the data includes zeros and ones and the rest of the dependent variable is within those bounds, the fractional logistic model is the most applicable to analyze the interaction of domestic importance and export- or import-competing on the size of tariff concessions during the Kennedy Round. To estimate the dichotomous product inclusion models, I use a logistic model. The binary nature of the variable does not lend itself to a fractional logistic model.

$$Y_i = \beta_1 \text{Employment}_i + \beta_2 \text{Gross Output}_i + \beta_3 \text{Labor Intensity}_i + \beta_4 \text{Unemployment}_i + \beta_5 \text{Union Membership}_i + \beta_6 \text{Import-Competing}_i + X' \lambda + \epsilon_i,$$

Y is the outcome of the size of the tariff concession and product inclusion. The subscripts denote HS2 classification (i). The vector X contains the interactions between import-competing industries and the domestic importance variables. The standard errors around the estimates are clustered by HS2 classification. β indicates the effect of industry importance. The estimation method is fractional logistic for the tariff concession dependent variable and logistic regressions for the inclusion dependent variable.

To supplement the quantitative analysis, I conduct a qualitative case study of lobbying efforts during the negotiations. While the collected data provides copious amounts of relevant information about the underlying negotiations, it does not offer a complete picture of the lobbying efforts of domestic actors. Domestic importance or being in an export- or import-competing industry may not suffice to minimize tariff concessions during negotiations. Rather, the lobbying efforts of domestically important industries could be the deciding factor for whether to include a product in the final concessions or to pursue a smaller concession for given products. The objective of the case study into the Dillon Round is to provide a more nuanced picture of political activities during the negotiating period. The qualitative analysis is better positioned to directly examine whether import-competing industries were largely sidelined from negotiations due to the first-mover advantage of export-competing industries. The benefits of a mixed-method analysis are discussed in Chapter 3.

5.2.4 Case Selection Criteria for the Kennedy Round

Case selection criteria are important for avoiding selection bias or selecting cases of convenience (Bennett and Elman, 2006; King, Keohane and Verba, 1994; Levy, 2008). The objective in selecting the Dillon and Kennedy Rounds is to isolate the effect of institutional change. The case selection motivation is one of theoretical interest (Seawright and Gerring, 2008). The Kennedy Round was the sixth GATT round and the first to use the linear negotiation structure. The Kennedy Round provides an ideal case to examine the effects of negotiation rules on bargaining outcomes, especially when comparing with the Dillon Round. The two cases provide competing negotiation frameworks. Choosing these two cases offers the ability to directly examine the effect of institutional change on bargaining outcomes and domestic importance in trade negotiations.

While the case selection is theoretically motivated, the cases adopt a most similar procedure. Most similar selection requires cases to be similar across independent variables except the independent variable of interest (Levy, 2008; Seawright and Gerring, 2008). In the case of the two GATT rounds, the only independent variable to vary over the course of the 1960s is institutional change via negotiation rules. Other foundational rules – reciprocity, principal supplier, and most-favored-nation – of the GATT remained unchanged at the time of the Kennedy Round. The only foundational block of the GATT’s initial design to change was the negotiation rules. The original design of the GATT emphasized maintaining existing market access as well as expanding product coverage (Goldstein and Gulotty, 2017; Jupille, Mattli and Snidal, 2013). The role of the GATT was to prevent the return of protectionist policies while expanding market access for increasing trade liberalization. On the other hand, the United States sought to prevent a rapid expansion of product coverage and to protect its domestically important industries (Irwin, Mavroidis and Sykes, 2008). To fully account for the role of institutional change, I first analyze the impact of the GATT’s rules before the change occurred.¹⁶ The Kennedy Round is a theoretically important case and provides the ability to examine the impact of the GATT’s institutional change and linear negotiations on bargaining outcomes. As a case for quantitative and qualitative analysis, the inclusion of the

¹⁶See Chapter 3 for analysis on item-by-item negotiation framework and discussion.

Kennedy Round assists with overcoming the challenge of finding cases that are comparable (Levy, 2008).

By selecting two negotiation rounds that share similar features but employ different rules, the variables of interest remain the same while the environment changes. The two negotiating rounds were not selected based on the dependent variables; rather, the cases were selected on the institutional environment at the time of the negotiations as an independent variable. King, Keohane and Verba (1994) argues that selection on the dependent variable creates the possibility of selection bias as well as challenges with inference. Additionally, Bennett and Elman (2006) discusses an additional issue with selecting cases on the dependent variable and indicates it can lead to incorrect inference. In the two rounds, the size of overall concessions, number of concessions, and products varied between the two rounds, and the domestic importance variables did not remain static during the 1960s. The overall changes across the two rounds are often attributed to the differences between the restrictive item-by-item approach and the more encompassing linear framework. For example, the Dillon Round resulted in an 8% overall tariff reduction, while the Kennedy Round experienced a 33% overall reduction. The overall values indicate significantly different bargaining outcomes as a result of institutional rules.

The two GATT rounds were not completely identical; for example, participation increased from 26 states in the Dillon Round to 66 states in the Kennedy Round. While the increasing number of participants in the GATT is likely to alter the outcome across the two rounds, the key difference between the two rounds is the negotiation structure. By selecting two negotiating rounds that are mostly similar besides the rules regulating negotiations, I can highlight the effects of institutional change and examine how the different negotiating rules attributed first-mover advantage. By isolating the institutional change in the GATT, I can analyze how different institutional rules affect the bargaining process and outcomes.

Figure 5.2: Kennedy Round - Distribution of Concessions by Political Importance

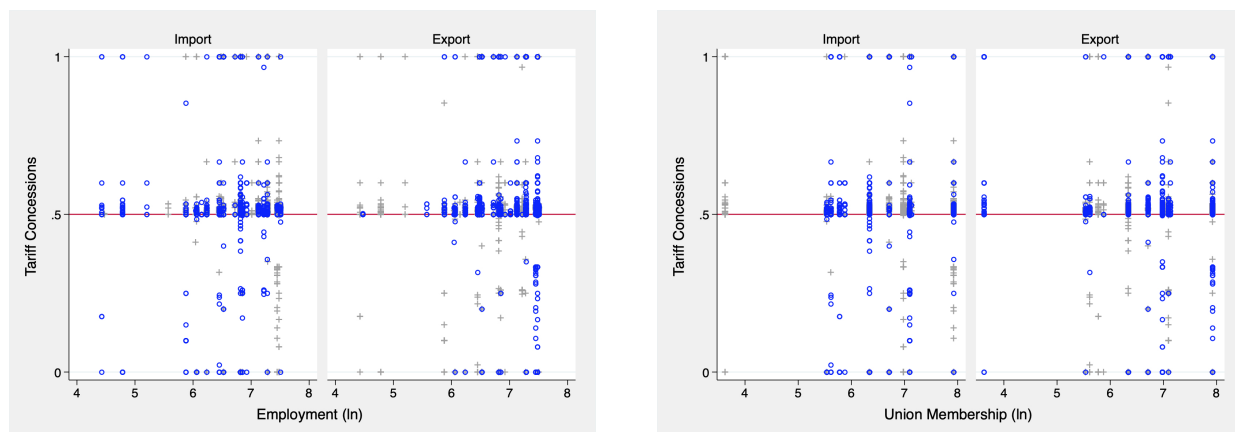
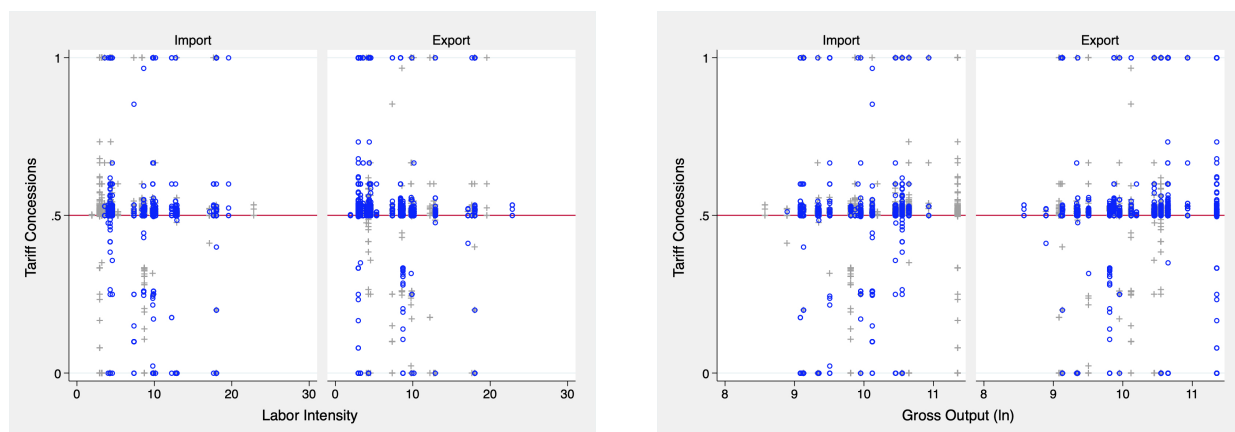


Figure 5.3: Kennedy Round - Distribution of Concessions by Economic Importance



5.3 Quantitative Analysis

The target concession rate for the Kennedy Round was 50%. Figure 5.2 and 5.3 show the distribution of tariff concessions for the domestic importance variables by export- and import-competing industries. The blue circles in the import graph indicate tariff concessions offered on import-competing products. The gray plus signs in the import graph indicate tariff concession for export-competing industries. The graph provides an overlay of concessions for export- and import-competing industries. The tariff concessions rates largely cluster around the 50% concession target. As depicted in Figure 4.2 and 4.3, the concessions rates in the Dillon Round center around the 20% target. The concession target rates were set at the GATT but reflected the upper bounds of possible offer sizes in United States domestic law. The target tariff concession for both bargaining rounds reflects the complex interaction between domestic and international rules. Nonetheless, the clustering around the target concession size shows the power of rules in shaping bargaining outcomes.

Figure 5.2 shows the breakdown of concessions for the political domestic importance variables - Employment and union membership. Across both variables, there is little difference between export- and import-competing industries. Concessions in export-competing industries appear skewed slightly beyond the 50% concession target compared to import-competing industries. However, there is very little discernible difference between lower and higher employment and union membership levels in either export- or import-competing industries. Figure 5.3 indicates tariff concession rates for the two economic domestic importance variables - labor intensity and gross output. Similar to the political variables, there is very little difference for lower and higher levels of the variables or between export- and import-competing industries. Concessions in export-competing industries are slightly more skewed over the 50% target, but the difference between concessions in import-competing industries is minimal.

The limited difference between concession rates for export- and import-competing industries could result from the changes under the Trade Expansion Act of 1962 that restricted protectionist influence.¹⁷ The limited differences between concession rates for export- and

¹⁷One of the main limits to protectionist influence was the removal of peril points. The President was

import-competing industries could indicate, as with the Dillon Round, that protectionist interests' influence decreases once products are included in negotiations. Product inclusion and removal were among the main aspects of negotiations during the Torquay Rounds under the item-by-item framework (Bagwell, Staiger and Yurukoglu, 2020). That emphasis may have persisted under the linear framework. The GATT/WTO has had a greater effect on expanding product inclusion throughout its existence while having a more limited effect on export rates (Dutt, Mihov and Van Zandt, 2013). The goal of reforming the negotiating format in the GATT was to limit product protection during GATT negotiations.¹⁸

5.3.1 Concession Size and Domestic Importance

Table 5.2 examines the domestic importance independent variables by political and economic importance. The political importance model indicates that import-competing industries and industries with more union members are likely to experience lower tariff concessions. On the other hand, industries with more employees are likely to experience higher tariff concessions. In the economic importance model, industries with higher gross output are more likely to experience higher tariff concessions. Labor intensity and unemployment indicate positive relationships with tariff concession rates, but neither are statistically significant. In the joint model, only import-competing and union membership remain statistically significant and negative while employment and unemployment rates remain positive but not statistically significant. The negative relationships for import-competing and union membership are in line with expectations. I argue that first-mover advantage shifts to import-competing industries and should benefit those industries in achieving smaller concessions, which bears out in the base models. Industries with larger union memberships also fair better in negotiations by securing lower concessions rates, which is likely a result of the collective political influence of unions. The results of Table 2 provide a base for deeper analysis.

To directly test my first-mover advantage argument, I include interactions between

no longer restricted to limiting concessions based on recommendations from the Tariff Commission on what the maximum concession could be without injuring the industry or having to publicly submit a report to Congress explaining concessions over the peril point (Irwin, 2017).

¹⁸ "Working Party on Procedures for Tariff Reduction: Record of Points Examine at the Meeting of March 1963." General Agreement on Tariffs and Trade, 2 April 1963.

Table 5.2: Kennedy Round - Political and Economic Importance

	(1) Political Importance	(2) Economic Importance	(3) Joint Model
Tariff Concessions			
Import-Competing	-0.07** (0.03)		-0.06** (0.03)
Employment (ln)	0.08** (0.04)		0.05 (0.05)
Union Membership (ln)	-0.06** (0.03)		-0.06** (0.02)
Labor Intensity		0.02 (0.02)	0.02 (0.02)
Gross Output (ln)		0.17* (0.09)	0.14 (0.09)
Unemployment Rate		0.03 (0.04)	0.01 (0.03)
Constant	-0.04 (0.17)	-2.01** (0.97)	-1.51 (0.98)
Observations	4347	4347	4347
R^2	.0007	.0006	.0009

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

import-competing and the domestic importance variables. Whereas the Dillon Round's negotiation format attributed first-mover to export-competing interests, the Kennedy Round's negotiation rules mobilized import-competing interests first through exemption lists. By shifting the first action of the negotiations from requesting concessions to exemptions from negotiations, import-competing industries benefit from the first-mover advantage. My expectation is for the interaction effects to be negative. I argued that statistically insignificant coefficients supported my argument in the Dillon Round, but in the Kennedy Round, statistical insignificance does not lend support for my argument as it indicates that import-competing industries did not increase their influence domestically.

Table 5.3 maintains the political and economic models for the domestic importance variables but adds interactions into each model. In the political model, the interaction variable for employment is positive, indicating that import-competing industries with higher employment levels are correlated with larger tariff concessions. However, the relationship is not statistically significant. On the other hand, the interaction between union membership and import-competing is positive and statistically significant while union membership for export-competing industries reflects a negative correlation. The negative correlation in Table 5.2 appears to be driven by export-competing industries with larger union memberships receiving lower tariff concessions during the Kennedy Round negotiations. This direction of the coefficient sign contrasts with my expectations and hypothesis for the Kennedy Round. As Bagwell, Staiger and Yurukoglu (2020) find, the emphasis of GATT negotiations is on which products are included or excluded from negotiations. The first-mover advantage granted to import-competing industries may be limited to the exempted lists. Once a product is included in negotiations, the benefits of the first-mover advantage no longer apply.

Turning to the economic model variables, none of the interactions with import-competing are statistically significant, and only the interaction with gross output reflects a negative correlation with tariff concession rates. Additionally, export-competing industries with higher levels of gross output are associated with higher tariff concessions in the Kennedy Round. In the joint model, only union membership remains statistically significant and shows a negative correlation. The null results for the interactions indicate that import-competing industries did not benefit from the first-mover advantage regarding tariff concession rates. This lends

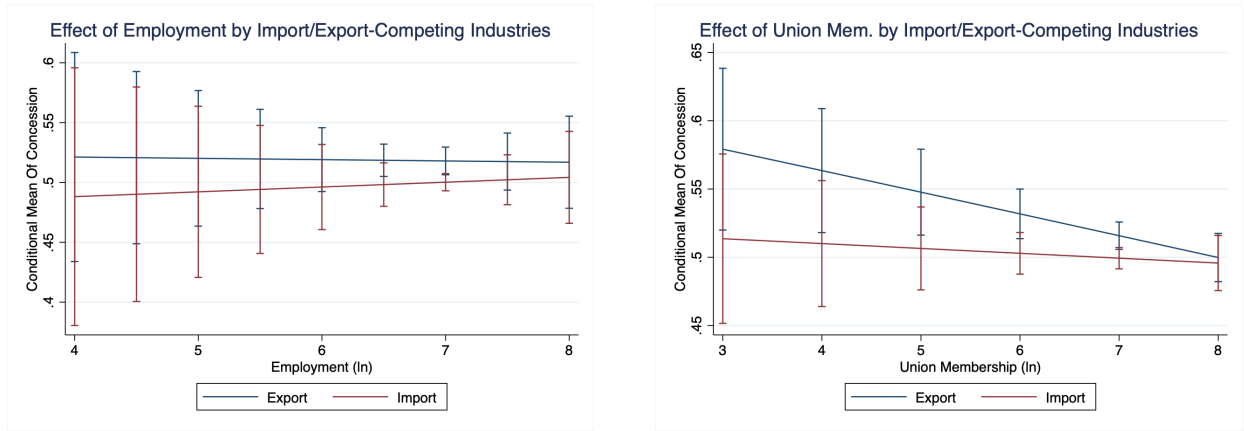
Table 5.3: Kennedy Round - Interaction with Import-Competing Industries

	(1) Employ.	(2) Union Mem.	(3) Labor Int.	(4) Output	(5) Unemploy.	(6) Joint
Tariff Concessions						
Import-Competing	-0.16 (0.36)	-0.43** (0.21)	-0.12** (0.06)	0.50 (0.45)	-0.10 (0.07)	-0.60 (1.64)
Employment (ln)	0.07 (0.05)	0.06 (0.04)				0.00 (0.06)
Union Membership (ln)	-0.06** (0.03)	-0.08*** (0.03)				-0.08*** (0.03)
Interaction: Import and Employment (ln)	0.01 (0.05)					0.02 (0.09)
Interaction: Import and Union Membership (ln)		0.05* (0.03)				0.06 (0.06)
Labor Intensity			0.01 (0.01)	0.02 (0.01)	0.02 (0.02)	0.00 (0.01)
Gross Output (ln)			0.13 (0.08)	0.15* (0.09)	0.15 (0.09)	0.12 (0.10)
Unemployment Rate			0.03 (0.03)	0.03 (0.03)	0.04 (0.04)	-0.01 (0.03)
Interaction: Import and Labor Intensity			0.01 (0.01)			0.02 (0.02)
Interaction: Import and Gross Output (ln)				-0.06 (0.04)		-0.02 (0.15)
Interaction: Import and Unemployment Rate					0.00 (0.00)	0.00 (0.00)
Constant	0.01 (0.28)	0.18 (0.24)	-1.47* (0.88)	-1.70* (0.95)	-1.74* (0.99)	-0.60 (1.04)
Observations	4347	4347	4347	4347	4347	4347
R^2	.0007	.0008	.0007	.0007	.0007	.0012

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Figure 5.4: Kennedy Round - Marginal Effect by Political Importance on Concession Rates



further evidence that first-mover advantage may be limited to inclusion or exclusion and not tariff concessions.

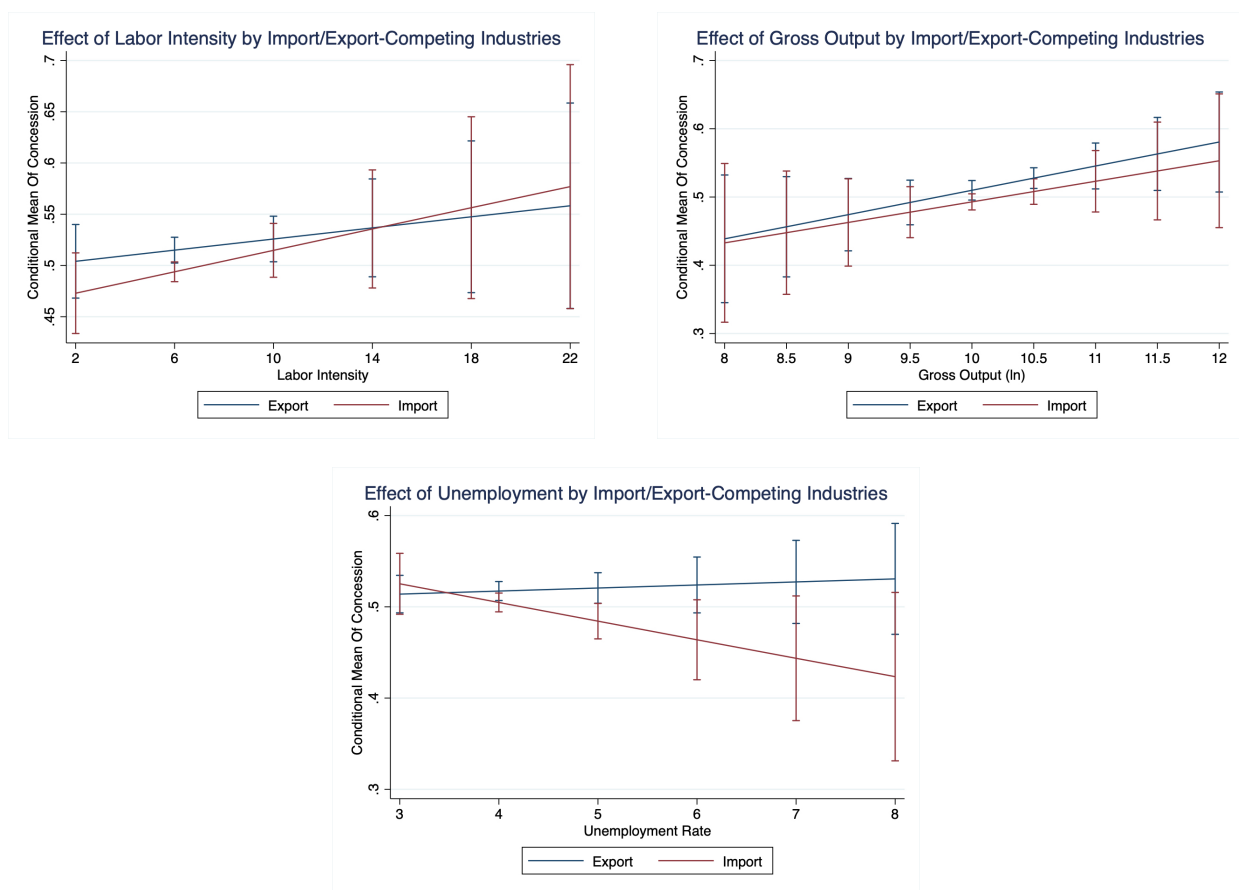
The results of the joint model in Table 5.3 are interesting given the direction of coefficient signs. All but one of the interactions between the domestic importance variables and import-competing industries was positive, indicating that import-competing industries experienced larger tariff concessions at higher levels of domestic importance. In the Dillon Round, the interactions with import-competing industries were largely negative despite a negotiation format that favored export-competing interests through early bargaining actions. The item-by-item approach has been argued to benefit protectionist interests by allowing states to avoid offering concessions on politically important import-competing products (Goldstein and Gulotty, 2014; Gowa and Hicks, 2018), and that analysis may extend to the Kennedy Round as well.

The coefficients of the fractional logistic regression report odds ratio. While this allows the coefficient size to be compared, it does not meaningfully indicate the effect of domestic importance on tariff concession size. To examine the effect meaningfully, I examine the marginal effect of export- and import-competing industries' political and economic importance indicators. Figure 5.4 presents the marginal effects of the political importance variables. The marginal effect plots are based on the joint model in Table 5.3. For employment,

import-competing industries concession level is below that for export-competing industries. However, as industry employment increases, the concession level slowly rises from 48% to 50%. Union membership offers a different story between export- and import-competing industries. At the lowest level of union membership, export-competing industries experience tariff concession levels around 58%, while import-competing industries experience concession rates around 52%. At the highest level of union membership, both industries converge to 50% concession levels. Import-competing industries benefited very little from higher levels of union membership, while export-competing industries benefited greatly from higher union membership levels. This contrasts with the effect of union membership in the Dillon Round, where higher union membership rates benefited import-competing industries in achieving lower tariff concession rates. The changing effect of union membership may stem from both domestic and international changes. The change in the GATT's negotiating rules at the international level extended a wider net of products in negotiations. The extended breadth of products may have created a more limited role for unions to achieve lower concessions rates. Additionally, the Trade Expansion Act of 1962 could have further restricted the influence of unions during the Kennedy Round by moving away from tariffs to financial assistance for economically harmed industries (Irwin, 2017). The concessions levels of lower union membership in export-competing industries also indicate that unions may be more effective in restricting concessions to the bargaining targets than ensuring concessions are below the targeted levels.

Figure 5.5 shows the marginal effect plots for the economic importance variables. As labor intensity increases, tariff concession levels increase for both export- and import-competing industries with a steeper increase for import-competing industries. Similarly, increasing levels of gross output also led to higher tariff concessions for both types of industry. Higher levels of unemployment in import-competing industries, on the other hand, led to lower tariff concessions. At the lowest unemployment rate, the concession level for import-competing industries was around 53%, but at the highest unemployment rate, the concession level declines to 44%. This is a reversal from the Dillon Round, where lower unemployment rates experienced lower tariff concession levels. This change could result from the Trade Expansion Act of 1962 as the Act shifted focus from tariff protection to economic assistance

Figure 5.5: Kennedy Round - Marginal Effect by Economic Importance on Concession Rates



for disadvantaged industries (Irwin, 2017). This change shifts the focus to higher levels of unemployment in industries. This change in focus may account for the lower tariff concession levels in the Kennedy Round. However, the interaction between unemployment and import-competing in Table 5.3 is not statistically significant despite the decline in concession level depicted in the marginal effects plot.

5.3.2 Product Inclusion and Domestic Importance

As the tariff concession results indicate, the first-mover advantage did not translate into securing lower tariff concession rates. This section examines whether first-mover advantage for import-competing industries is present in product exclusion during the Kennedy Round. Existing research indicates that much of the bargaining emphasis in the GATT was on which products would be included during round negotiations (Bagwell, Staiger and Yurukoglu, 2020; Dutt, Mihov and Van Zandt, 2013; Goldstein and Gulotty, 2014; Gowa and Hicks, 2018). If first-mover advantage does grant increased influence to import-competing interests, it should occur in product inclusion/exclusion since the first action of the bargaining process is providing an exemption list.

Table 5.4 provides a baseline analysis of the political and economic models of domestic importance on product inclusion. A positive coefficient indicates greater product inclusion during the Kennedy Round. The political importance model indicates that each variable - import-competing, employment, and union membership - reflects a positive correlation with product inclusion. On the other hand, the economic importance model reflects negative correlations for each indicator - labor intensity, gross output, and unemployment rate - with product inclusion. In the joint model, the variables from the economic model remain statistically significant and negative. Employment also remains positive and statistically significant. Conversely, import-competing's sign flips to negative but is not statistically significant.

To examine first-mover advantage and inclusion, Table 5.5 includes an interaction between the domestic importance variables and import-competing. Each measure of domestic importance is analyzed individually within its respective model before analyzing a full, joint

Table 5.4: Kennedy Round - Political and Economic Importance

	(1) Political Importance	(2) Economic Importance	(3) Joint Model
Product Inclusion			
Import-Competing	0.39* (0.23)		-0.01 (0.28)
Employment (ln)	0.51** (0.23)		0.88*** (0.13)
Union Membership (ln)	0.18** (0.09)		0.16 (0.16)
Labor Intensity		-0.24*** (0.06)	-0.20*** (0.05)
Gross Output (ln)		-1.55*** (0.42)	-1.96*** (0.38)
Unemployment Rate		-0.39*** (0.08)	-0.28* (0.16)
Constant	-3.03** (1.32)	21.22*** (4.81)	17.64*** (4.81)
Observations	5120	5120	5120
R^2	.028	.061	.096

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

model. The interaction for employment is positive and statistically significant, which indicates that import-competing industries with higher employment levels are more likely to have products included in negotiations. Additionally, the interaction for union memberships is also positive and statistically significant. For the economically important variables, labor intensity and gross output interactions indicate a positive relationship with inclusion but are not statistically significant. The interaction for unemployment is statistically significant and designates a positive correlation, while higher unemployment rates in export-competing industries are associated with less product inclusion.

In the joint model, none of the import-competing interactions are statistically significant. The only import-competing interaction that is signed in the expected direction is employment. On the other hand, unemployment and gross output in export-competing industries are both negative and statistically significant. Despite the initial action in the bargaining processing being the submission of an exempted list, import-competing industries appear not to have been advantaged in securing product exclusion during the Kennedy Round. Additionally, the domestic importance variables that affect concession levels and inclusion are different. This indicates that various factors shape domestic influence at different times throughout the bargaining process. If industries and firms want to achieve their lobbying objectives, certain characteristics matter more or less depending on the stage of negotiations.

Since logistic models report coefficients in odds ratios, I rely on marginal effect plots to better analyze the effect of domestic importance on product inclusion. Figure 5.6 examines the political importance variables. The marginal effect plots are based on the joint model in Table 5.5. First, the plot for employment shows an upward trend, for both export- and import-competing industries, as employment levels increase. At the lowest level of employment, import-competing industry products are included with a probability of .25, but at the highest level of employment, inclusion for import-competing industries is over a probability of .9. For both export- and import-competing industries, increasing employment levels are more likely to lead products to be included in trade negotiations. Similarly, union membership represents a slight upward slope for both industry types. The lowest level of union membership represents a .84 probability of inclusion for products in import-competing industries, but an increase to the highest level of union membership increases inclusion

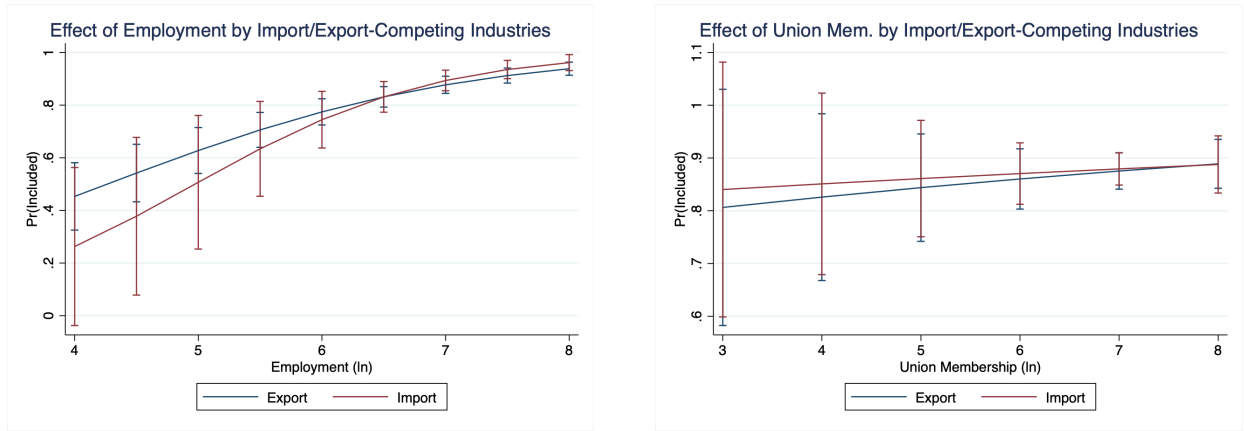
Table 5.5: Kennedy Round - Interaction with Import-Competing Industries

	(1) Employ.	(2) Union Mem.	(3) Labor Int.	(4) Output	(5) Unemploy.	(6) Joint
Product Inclusion						
Import-Competing	-5.29 (3.83)	0.78 (1.34)	0.75 (0.54)	-7.77* (4.56)	-1.56*** (0.53)	1.29 (8.24)
Employment (ln)	-0.01 (0.51)	0.52** (0.25)				0.77*** (0.10)
Union Membership (ln)	0.18* (0.10)	0.20** (0.08)				0.20 (0.20)
Interaction: Import and Employment (ln)	0.84 (0.55)					0.62 (0.47)
Interaction: Import and Union Membership (ln)		-0.06 (0.20)				0.12 (0.33)
Labor Intensity			-0.12 (0.08)	-0.21*** (0.07)	-0.19*** (0.05)	-0.09 (0.10)
Gross Output (ln)			-1.24*** (0.47)	-1.66*** (0.47)	-1.53*** (0.40)	-1.55*** (0.56)
Unemployment Rate			-0.35*** (0.10)	-0.38*** (0.10)	-0.34*** (0.09)	-0.20 (0.20)
Interaction: Import and Labor Intensity			-0.12* (0.06)			-0.14 (0.11)
Interaction: Import and Gross Output (ln)				0.75* (0.44)		-0.40 (0.78)
Interaction: Import and Unemployment Rate					0.00*** (0.00)	-0.00 (0.00)
Constant	0.59 (3.28)	-3.21** (1.62)	17.21*** (5.58)	22.27*** (5.60)	20.57*** (4.74)	12.80 (7.84)
Observations	5120	5120	5120	5120	5120	5120
R^2	.039	.028	.068	.067	.080	.102

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Figure 5.6: Kennedy Round - Marginal Effect by Political Importance on Product Inclusion

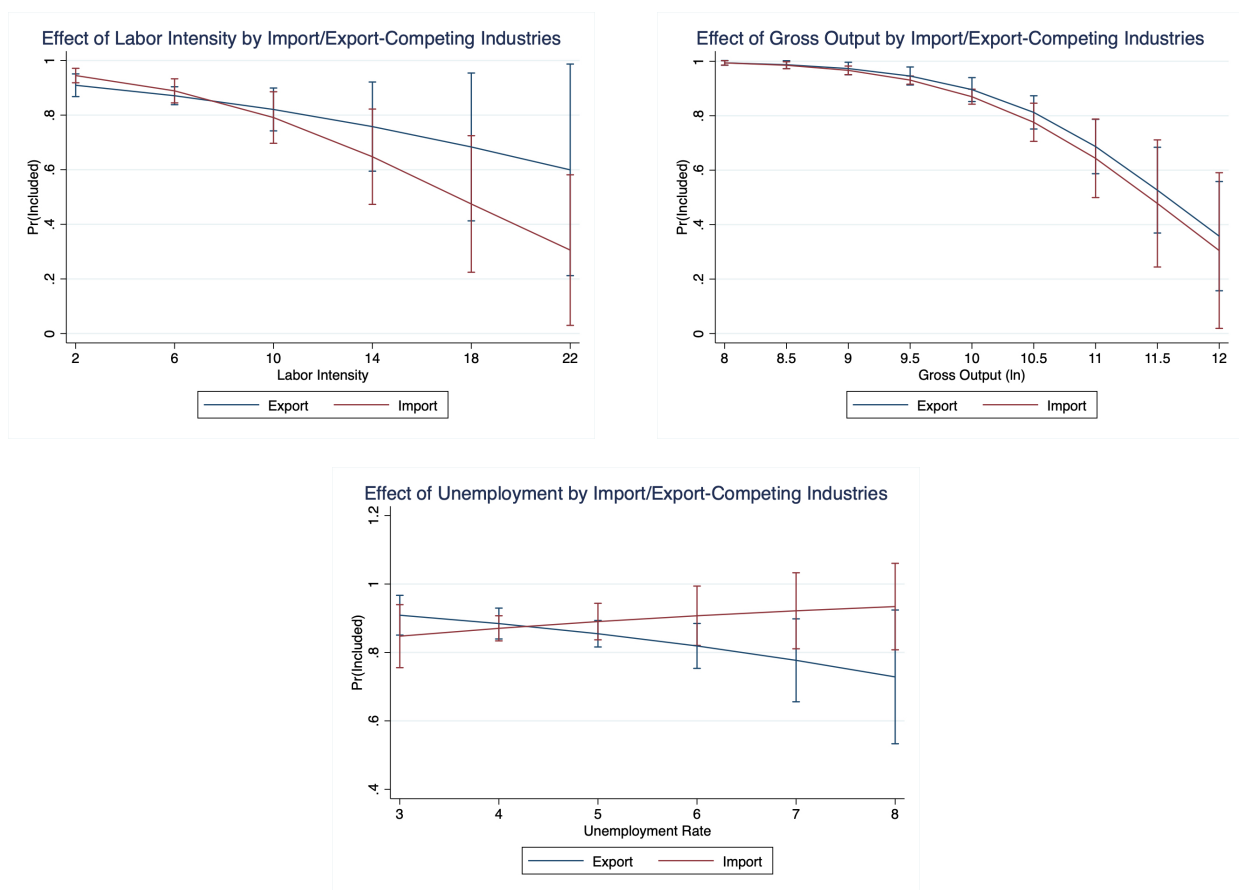


probability to .9. Thus, the political importance indicators do not decrease product inclusion but increase the probability of product inclusion during trade negotiations.

Figure 5.7 shows the marginal effect plots for the economic importance variables. At lower levels of labor intensity, product inclusion is more likely for both industry types, but products in import-competing industries are less likely, compared to export-competing industries, to be included at higher levels of labor intensity. However, Table 5.4 indicates that labor intensity is not statistically significant. Additionally, gross output reflects a negative trend for both export- and import-competing industries; however, as per Table 5.4, only gross output for export-competing industries is statistically significant in affecting product inclusion. Finally, unemployment represents a positive relationship with inclusion in import-competing industries. In contrast, products in export-competing industries with higher levels of unemployment are less likely to be included in the bargaining process.

The inclusion results do not support any of the hypotheses on product inclusion and domestic importance. Additionally, the analysis suggests that import-competing industries did not experience the first-mover advantage at any stage of the bargaining process despite the new GATT negotiation framework benefiting import-competing industries initially. The limited influence of import-competing interests could be because of the focus of the Kennedy Round for the United States, which was to improve access to the European Economic Com-

Figure 5.7: Kennedy Round - Marginal Effect by Economic Importance on Product Inclusion



munity’s single market (Irwin, 2017; *Trade Policies and the Kennedy Round*, 1967). If the United States wanted to improve its access to the EEC’s single market, the United States had to offer its own concessions.

Further, the Trade Expansion Act intended to increase the ease at which the United States could lower its domestic tariff rates. This chapter shows the complicated relationship between international and domestic rules and how domestic rules can mitigate changes at the international level. The interaction between domestic and international rules can provide a better understanding of which domestic groups are advantaged during negotiations, and why. As states continue to integrate further into the international community, the relationship between domestic and international rules will become increasingly important to understand bargaining outcomes fully.

5.3.3 Robustness Checks: Tariff Concessions

Table 5.6 and Table 5.7 provide a robustness check of the tariff concession results. Whether an industry is export- or import-competing may not be the most important factor when shaping domestic importance; rather, the unemployment rate may have a greater role in shaping which factors matter in shaping tariff concession rates. Examining the joint model in Table 5.6, industries with higher employment levels, union membership, and labor intensity experience increased tariff concessions at low unemployment rates. Compared to Table 5.3, larger union membership in export-competing industries is correlated with smaller tariff concessions. The interactions with unemployment for union membership and labor intensity reflect a negative correlation with tariff concessions. Industries with higher levels of unemployment in industries coupled with higher levels of union membership and labor intensity are more likely to experience lower tariff concessions during trade negotiations.

Table 5.7 uses an alternative measure of unemployment by measuring the difference between exits and entrances into an industry. The joint model indicates differences from the import-competing and unemployment models. Industries with more exits and higher employment are more likely to experience higher concession rates. On the other hand, union membership reflects a negative correlation with tariff concessions. Additionally, the

Table 5.6: Kennedy Round - Interaction with Unemployment in Industries

	(1) Employ.	(2) Union Mem.	(3) Labor Int.	(4) Output	(5) Joint
Tariff Concessions					
Import-Competing	-0.07*** (0.03)	-0.07*** (0.03)	-0.06** (0.03)	-0.06** (0.03)	-0.04 (0.03)
Unemployment Rate	0.01 (0.03)	0.01 (0.03)	0.03 (0.04)	0.03 (0.04)	-0.03 (0.03)
Employment (ln)	0.06 (0.05)	0.09* (0.05)			0.23** (0.12)
Union Membership (ln)	-0.06** (0.03)	-0.05 (0.03)			0.21** (0.10)
Interaction: Unemployment and Employment (ln)	0.00 (0.00)				0.00* (0.00)
Interaction: Unemployment and Union Membership (ln)		-0.00 (0.00)			-0.00*** (0.00)
Labor Intensity			0.03 (0.02)	0.02 (0.02)	0.05** (0.02)
Gross Output (ln)			0.16* (0.09)	0.15 (0.10)	0.06 (0.13)
Interaction: Unemployment and Labor Intensity			-0.00 (0.00)		-0.00** (0.00)
Interaction: Unemployment and Gross Output (ln)				0.00 (0.00)	-0.00 (0.00)
Constant	0.01 (0.36)	-0.21 (0.40)	-1.83* (0.99)	-1.73* (1.04)	-3.28 (2.01)
Observations	4347	4347	4347	4347	4347
R^2	.0007	.0007	.0008	.0007	.0015

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

international with labor intensity also reflects a negative correlation.

The difference results across Tables 5.3, 5.6, and 5.7 highlight that different relationships between variables affect bargaining outcomes. Depending on the negotiation, different relationships may be more likely to matter throughout the bargaining process. Whether an industry is export- or import-competing does appear to influence concession rather in both the Dillon and Kennedy rounds, but the relationship between unemployment rates also influences concession rates during the bargaining process. The main results and robustness check results definitely highlight the continued need to examine the bargaining process and how the relationship between variables shapes negotiated outcomes.

5.3.4 Robustness Checks: Product Inclusion

The next robustness checks examine the effect of unemployment in industries on product inclusion. Table 5.8 includes interactions between industry unemployment rates and domestic importance variables. The joint model indicates that low levels of unemployment lead to less product inclusion for higher levels of labor intensity and gross output. Simultaneously, higher employment levels with no unemployment is positively correlated with product inclusion. None of the interactions between unemployment and domestic importance are statistically significant.

Turning to the alternative measure for unemployment, Table 5.9 includes the interaction between the difference between exits and entrances in industries with the domestic importance variables. In the joint model, the interaction with employment is negative and statistically significant. An industry with more exits and higher employment is likely to experience less product inclusion during negotiations. Industries with higher employment levels but experience more employees leaving the industry may signal that the industry is at risk and needs extra protection during trade negotiations.

The main results and robustness checks indicate that various factors and interactions affect which products are included during trade negotiations. Export- and import-competing does appear to influence whether products are excluded or included during the bargaining process as well as industry unemployment rates and employee exits. The statistical results

Table 5.7: Kennedy Round - Interaction with Difference b/w Exits/Entrances

	(1) Employ.	(2) Union Mem.	(3) Labor Int.	(4) Output	(5) Joint
Tariff Concessions					
Difference b/w Exits/Entrances	0.75 (0.97)	0.90 (0.84)	1.12 (0.85)	0.29 (0.90)	-0.23 (0.85)
Employment (ln)	0.10** (0.05)	0.10** (0.04)			-0.11 (0.10)
Union Membership (ln)	-0.05* (0.03)	-0.05 (0.03)			0.12 (0.08)
Interaction: Decline (Diff) and Employment (ln)	-0.01 (0.04)				0.24* (0.14)
Interaction: Decline (Diff) and Union Membership (ln)		-0.02 (0.04)			-0.35** (0.16)
Import-Competing			-0.05 (0.03)	-0.05* (0.03)	-0.03 (0.03)
Labor Intensity			0.02 (0.02)	0.02 (0.02)	0.03* (0.02)
Gross Output (ln)			0.08 (0.11)	0.12 (0.10)	0.06 (0.10)
Interaction: Decline (Diff) and Labor Intensity			-0.03 (0.03)		-0.05* (0.03)
Interaction: Decline (Diff) and Gross Output (ln)				0.01 (0.02)	0.11 (0.08)
Constant	-0.83 (0.82)	-0.97 (0.69)	-1.68* (0.99)	-1.53 (1.18)	-0.72 (1.14)
Observations	4348	4348	4348	4348	4348
R^2	.0007	.0007	.0007	.0006	.0012

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 5.8: Kennedy Round - Interaction with Unemployment in Industries

	(1) Employ.	(2) Union Mem.	(3) Labor Int.	(4) Output	(5) Joint
Product Inclusion					
Import-Competing	0.10 (0.23)	0.14 (0.23)	-0.08 (0.29)	0.05 (0.29)	-0.09 (0.28)
Unemployment Rate	-0.20* (0.12)	-0.26** (0.11)	-0.32*** (0.10)	-0.40*** (0.10)	-0.28 (0.17)
Employment (ln)	1.60*** (0.46)	1.42*** (0.43)			0.86** (0.38)
Union Membership (ln)	0.17 (0.14)	0.40** (0.18)			0.58 (0.65)
Interaction: Unemployment and Employment (ln)	-0.00*** (0.00)				-0.00 (0.00)
Interaction: Unemployment and Union Membership (ln)		-0.00*** (0.00)			-0.00 (0.00)
Labor Intensity			-0.30*** (0.05)	-0.24*** (0.05)	-0.25*** (0.07)
Gross Output (ln)			-1.63*** (0.39)	-2.18*** (0.45)	-2.07*** (0.58)
Interaction: Unemployment and Labor Intensity			0.00*** (0.00)		0.00 (0.00)
Interaction: Unemployment and Gross Output (ln)				0.00*** (0.00)	0.00 (0.00)
Constant	-7.54*** (2.87)	-7.76** (3.15)	21.03*** (4.70)	26.55*** (5.16)	16.62** (6.50)
Observations	5120	5120	5120	5120	5120
R^2	.059	.055	.093	.078	.102

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 5.9: Kennedy Round - Interaction with Difference b/w Exits/Entrances

	(1) Employ.	(2) Union Mem.	(3) Labor Int.	(4) Output	(5) Joint
Product Inclusion					
Difference b/w Exits/Entrances	0.71 (4.87)	-1.76 (4.59)	-3.31 (4.66)	5.57 (4.55)	5.51 (6.39)
Employment (ln)	0.85*** (0.19)	0.49** (0.19)			1.59*** (0.51)
Union Membership (ln)	0.02 (0.09)	0.27* (0.15)			0.51 (0.70)
Interaction: Decline (Diff) and Employment (ln)	-0.57*** (0.19)				-1.59** (0.81)
Interaction: Decline (Diff) and Union Membership (ln)		-0.45*** (0.17)			-0.67 (1.23)
Import-Competing			-0.16 (0.27)	-0.30 (0.28)	-0.12 (0.28)
Labor Intensity			-0.10 (0.07)	-0.21*** (0.07)	-0.28*** (0.09)
Gross Output (ln)			-1.31** (0.51)	-0.84* (0.49)	-1.79*** (0.50)
Interaction: Decline (Diff) and Labor Intensity			-0.26 (0.17)		0.32 (0.24)
Interaction: Decline (Diff) and Gross Output (ln)				-0.46*** (0.10)	0.94 (0.73)
Constant	-2.95 (4.09)	-0.65 (3.77)	19.53*** (4.71)	9.79* (5.60)	5.28 (5.82)
Observations	5121	5121	5121	5121	5121
R^2	.066	.064	.061	.069	.100

Standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

further highlight the continued need to examine trade negotiations to understand the bargaining process better. Product inclusion is the central component of trade negotiations because without included products, there would be no change in tariff rates. Even currently, product inclusion is central to the bargaining process, while emphasis has shifted away from tariffs to other aspects of trade. Negotiation format, international rules, domestic restrictions, and industry and firm characteristics all interact to shape the bargaining process and outcomes. The GATT negotiation documents offer a glimpse into how these various components interact during negotiations.

5.4 Case Study: Kennedy Round and Domestic Political Action

While the quantitative results do not conclusively indicate consistent domestic factors that shaped product inclusion and tariff concessions, qualitative case studies offer descriptive details about the underlying negotiation process and decision-making. Analyzing the details surrounding the Kennedy Round negotiations may highlight other factors that shaped the bargaining outcome or affirm that the domestic importance variables do shape decisions but on a smaller subset of products. The context surrounding the United States' exemptions and concessions provides additional details to understand why certain products were included or excluded and why some industry concessions rates were below the 50% target. The qualitative case analysis examines the context around product exclusions, concession offers, opinions toward trade policy, and Tariff Commission investigations into import injury.

5.4.1 Domestic Interests and Kennedy Round Negotiations

Before examining the underlying events surrounding the Kennedy Round in the United States, the interests of those involved in the negotiations set the framework for domestic lobbying and success. If import-competing interests' align with the Kennedy Round negotiators, lobbying actions are more likely to be successful. Protectionist interests are likely to be advantaged in the negotiations as well. Domestic importance may allow industries

access, but domestically important import-competing industries are unlikely to succeed if their interests diverge from decision-makers.

President Johnson oversaw the Kennedy Round negotiations and was an ardent supporter of free trade.¹⁹ In addition to President Johnson, the State Department and Special Representative for Trade Negotiations William Roth²⁰ were supportive of free trade.²¹ The Department of Commerce had a perception that it favored protectionist policies, but it adopted a pro-liberalization position during the Kennedy Round.²² Treasury Secretary Fowler, on the other hand, was a more concerned about short-term actions and less support of aggressive trade liberalization.²³ Congress, at this time, was becoming more protectionist and less receptive toward free trade.²⁴

Those mainly involved in the Kennedy Round negotiations for the United States strongly favored trade liberalization. The disconnect between the interests of import-competing industries and those negotiating the Kennedy Round is likely to minimize the effectiveness of protectionist political action. Nonetheless, first-mover advantage should still benefit import-competing industries whether in securing exemption or concessions under the 50% reduction target. The United States argued that item-by-item negotiations limited the scope of negotiations especially when states withheld “important concessions on particular products by one country makes other countries unwilling to make concessions in the same area.”²⁵ The GATT’s negotiation reform intended to expand the scope of negotiations and to expand trade liberalization.

¹⁹Oral history transcript, W. DeVier Pierson, interview 1 (I), 3/19/1969, by Dorothy Pierce (McSweeney), LBJ Library Oral Histories, LBJ Presidential Library, accessed June 20, 2021, <https://www.discoverlbj.org/item/oh-piersonw-19690319-1-74-234-a>

²⁰Roth proceeded Governor Herter as United States Trade Representative following Herter’s death in 1966.

²¹Oral history transcript, W. DeVier Pierson, interview 2 (II), 3/20/1969, by Dorothy Pierce (McSweeney), LBJ Library Oral Histories, LBJ Presidential Library, accessed June 20, 2021, <https://www.discoverlbj.org/item/oh-piersonw-19690320-2-74-234-b>

²²Oral history transcript, Lawrence Fox, interview 1 (I), 11/12/1968, by Paige E. Mulhollan, LBJ Library Oral Histories, LBJ Presidential Library, accessed June 20, 2021, <https://www.discoverlbj.org/item/oh-foxl-19681112-1-74-108>

²³Oral history transcript, W. DeVier Pierson, interview 2 (II), 3/20/1969, by Dorothy Pierce (McSweeney), LBJ Library Oral Histories, LBJ Presidential Library, accessed June 20, 2021, <https://www.discoverlbj.org/item/oh-piersonw-19690320-2-74-234-b>

²⁴Oral history transcript, W. DeVier Pierson, interview 1 (I), 3/19/1969, by Dorothy Pierce (McSweeney), LBJ Library Oral Histories, LBJ Presidential Library, accessed June 20, 2021, <https://www.discoverlbj.org/item/oh-piersonw-19690319-1-74-234-a>

²⁵“Views of the United States Regarding So-Called Ecrtement and Other Proposals for Unequal Linear Reduction of Tariffs.” General Agreement on Tariffs and Trade, 24 April 1963.

5.4.2 Product Inclusion and the Kennedy Round

Prior to the Kennedy Round, the GATT met to set the framework for the negotiations. The outcome set the concession target at 50% and the expectation that exceptions to the 50% concession offers would be kept to a minimum²⁶ The GATT suggested that exemptions be kept to a minimum; however, the GATT did not offer a maximum number or any additional guidance.²⁷ The only stipulation was that exemptions “must be in respect only of specific items where there are compelling grounds of national importance.”²⁸

Given the lack of guidance from the GATT on exemption lists, the United States had to establish its own procedures for determining which products to exempt from negotiations. The creation of exemption procedures was pivotal because exemptions could be challenged after the exchange of lists. The “confrontation and justification” of the exemption lists involved explanations on how each product warranted exemption from negotiations.²⁹ Governor Herter, the Special Representative for Trade Negotiations during the Kennedy Round, was concerned about the “confrontation and justification” stage because he instructed that each agency’s exemption list should be concise, persuasive, and well-documented justifications should accompany each exemption.³⁰

Beyond the eventual need to justify exemptions, the United States and Governor Herter sought to develop a minimal exemption list to set the tone for the bargaining process. Governor Herter was concerned that if the United States produced an extensive exemption list that other GATT members should use that to limit the breadth of the Kennedy Round negotiations.³¹ Additionally, the Tariff Commission’s pre-negotiation investigations advised that 50% concessions on a vast majority of non-agricultural products would not cause serious

²⁶“Operation of the Trade Agreements Program: 16th Report (July 1963-June 1964). *U.S. Government Printing Office*, Washington, D.C., 1966.

²⁷Foreign Relations of the United States, 1964-1968, Volume VIII, International Monetary and Trade Policy, eds. Evan Duncan, David S. Patterson, and Carolyn Yee (Washington: Government Printing Office, 1998), Document 233.

²⁸“Working Party on Procedures for Tariff Reduction: Record of Points Examined at the Meeting of March 1963.” General Agreement on Tariffs and Trade, 2 April 1963.

²⁹“Operation of the Trade Agreements Program: 17th Report (July 1964-December 1965). *U.S. Government Printing Office*, Washington, D.C., 1968

³⁰Foreign Relations of the United States, 1964-1968, Volume VIII, International Monetary and Trade Policy, eds. Evan Duncan, David S. Patterson, and Carolyn Yee (Washington: Government Printing Office, 1998), Document 233.

³¹*Ibid.*

economic injury to industries.³² The Tariff Commission's findings limited the products able to be included on the exemption list since it advised that 50% concessions would not cause serious economic harm. This restricted the ability to justify exemptions and have those justifications hold up during the "confrontation and justification" phase of the bargaining process.

Additionally, if the United States provided an extensive exemption list, it would undermine the United States' position as a global leader in trade liberalization.³³ The agreement that the exemption lists should be minimally extended throughout the Executive Branch. The Department of Commerce and other agencies recognized the importance of including as many products as possible in the linear negotiation.³⁴ The products on the United States' exemption list were either reserved from a full 50% tariff reduction or excluded from negotiations entirely.³⁵

While the GATT allowed members to protect products via an exemption list, the United States was under pressure to limit its exemptions despite receiving significant exemption requests from industries.³⁶ Simultaneously, GATT members such as the EEC were under considerable domestic pressure as well.³⁷ The United States was very much concerned about other member states producing extensive exemption lists. Early on, the United States indicated internally which non-exempt products would be revoked if other members had too extensive exemption lists. For example, if the European Coal and Steel Community did not reduce its steel duties, the United States would not offer concessions on its steel products.³⁸

³²Foreign Relations of the United States, 1964-1968, Volume VIII, International Monetary and Trade Policy, eds. Evan Duncan, David S. Patterson, and Carolyn Yee (Washington: Government Printing Office, 1998), Document 236.

³³Foreign Relations of the United States, 1964-1968, Volume VIII, International Monetary and Trade Policy, eds. Evan Duncan, David S. Patterson, and Carolyn Yee (Washington: Government Printing Office, 1998), Document 233.

³⁴Foreign Relations of the United States, 1964-1968, Volume VIII, International Monetary and Trade Policy, eds. Evan Duncan, David S. Patterson, and Carolyn Yee (Washington: Government Printing Office, 1998), Document 258.

³⁵Foreign Relations of the United States, 1964-1968, Volume VIII, International Monetary and Trade Policy, eds. Evan Duncan, David S. Patterson, and Carolyn Yee (Washington: Government Printing Office, 1998), Document 253.

³⁶Dale, Jr., Edwin L. "Tariff-Cut Talks Nearing a Crisis." *The New York Times*, 19 October 1964.

³⁷Keatley, Robert. "Protectionist Europe: Common Market Farm Pact Intensifies Threat to World Tariff Talks." *The Wall Street Journal*, 6 January 1964

³⁸Foreign Relations of the United States, 1964-1968, Volume VIII, International Monetary and Trade Policy, eds. Evan Duncan, David S. Patterson, and Carolyn Yee (Washington: Government Printing Office,

The creation of the United States' exemption list was a "technical job in terms of criteria established by the Office of the President's Special Trade Representative."³⁹ The product exemptions cultivated by the Department of Commerce was a technical evaluation based on import competition and whether products would benefit from foreign tariff reductions.⁴⁰ The United States' desire to produce a minimal exemption list led to technical decisions around which products to exempt from negotiations. While industries could still lobby for exemption, the success of political action was more restricted due to the technical nature of the decisions and the desire to have persuasive reasoning backing each exemption.

Exemptions fell under three categories for the United States: 1) Economic, 2) mandatory, and 3) technical.⁴¹ Economic exceptions were determined based on whether concessions would cause serious injury or threaten national security.⁴² The Trade Expansion Act of 1962 required mandatory exemptions for products subject to national security and escape-clause actions.⁴³ Tariff Commission escape-clause investigations and recommendations for tariff modifications that were accepted by presidents were exempt from the Kennedy Round as mandatory exemptions. Technical exceptions were products that a 50% reduction was not possible based on requirements in the TEA of 1962.⁴⁴

The United States submitted a justification of its exemption list to the GATT, where it explained its decision to include certain sectors. Within the textile industry, the United States sought to protect wool textiles because the industry is experiencing high unemployment due to technological advances, newer fiber types, and rising imports.⁴⁵ However, the entirety of the textile industry was not protected from negotiations as the United States

1998), Document 258.

³⁹Oral history transcript, Lawrence Fox, interview 1 (I), 11/12/1968, by Paige E. Mulhollan, LBJ Library Oral Histories, LBJ Presidential Library, accessed June 20, 2021, <https://www.discoverlbj.org/item/oh-foxl-19681112-1-74-108>

⁴⁰Ibid.

⁴¹Foreign Relations of the United States, 1964-1968, Volume VIII, International Monetary and Trade Policy, eds. Evan Duncan, David S. Patterson, and Carolyn Yee (Washington: Government Printing Office, 1998), Document 262.

⁴²Ibid.

⁴³Foreign Relations of the United States, 1964-1968, Volume VIII, International Monetary and Trade Policy, eds. Evan Duncan, David S. Patterson, and Carolyn Yee (Washington: Government Printing Office, 1998), Document 236.

⁴⁴Foreign Relations of the United States, 1964-1968, Volume VIII, International Monetary and Trade Policy, eds. Evan Duncan, David S. Patterson, and Carolyn Yee (Washington: Government Printing Office, 1998), Document 262.

⁴⁵"Justification of Exceptions List: State of the Representative of the United States," 10 December 1964

included a minimal number of cotton textiles on the exemption list.⁴⁶ In the earthenware, chinaware, and glassware industries, imports account for 30% of the United States' earthenware market and about 60% of domestic consumption in chinaware is imported.⁴⁷ The United States was very selective in its footwear exceptions even though the industry faces significant imports and challenging economic conditions; the United States decided to offer concessions on important products of both leather and rubber footwear.⁴⁸ The decision around the exemptions centered heavily on domestic industries' vulnerability to import competition as well as the general economic conditions in industries and their geographic location.

While most of the early direction of the Kennedy Round was on product exclusion, the United States also emphasized the concessions that it was prepared to offer. The start of negotiations on agricultural products saw the United States highlight that some of its main concessions consist of \$750 million in imports to the United States and was offering the full 50% concession rate.⁴⁹ Some of the main products that the United States included in its offers were canned pork, wool, tobacco, wine, cashew nuts, and certain beef and veal products.⁵⁰ The concessions on these products benefited a wide array of participating states from the EEC, Brazil, and New Zealand.⁵¹

The United States sought to produce a minimal exemption list. In order to achieve that outcome, exemption decisions were very technical and based on the threat of injury to domestic industry. There was also significant pressure on the United States to offer a limited exemption list to not restrict the breadth of negotiations during the Kennedy Round. Additionally, key actors in the negotiations for the United States were ardent supporters of free trade⁵² and believed the United States was a leader in trade liberalization.⁵³ While

⁴⁶Ibid.

⁴⁷Ibid.

⁴⁸Ibid.

⁴⁹Foreign Relations of the United States, 1964-1968, Volume VIII, International Monetary and Trade Policy, eds. Evan Duncan, David S. Patterson, and Carolyn Yee (Washington: Government Printing Office, 1998), Document 320.

⁵⁰Ibid.

⁵¹Ibid.

⁵²Oral history transcript, W. DeVier Pierson, interview 2 (II), 3/20/1969, by Dorothy Pierce (McSweeney), LBJ Library Oral Histories, LBJ Presidential Library, accessed June 20, 2021, <https://www.discoverlbj.org/item/oh-piersonw-19690320-2-74-234-b>

⁵³Foreign Relations of the United States, 1964-1968, Volume VIII, International Monetary and Trade Policy, eds. Evan Duncan, David S. Patterson, and Carolyn Yee (Washington: Government Printing Office, 1998), Document 233.

the GATT's revised negotiation format shifted first-mover to import-competing industries through the exemption list, first-mover advantage did not really materialize due to other factors that led the United States to prefer a more limited list of exemptions.

5.4.3 Offer Modifications and Domestic Importance

Concession offers were changed and modified during the course of the three years the Kennedy Round was negotiated. Special Trade Representative Herter highlighted this inevitability to President Johnson that it may be “necessary to hold back, reduce, or withdraw offers. On the other hand, it may become necessary for me to seek your authorization to offer additional concessions.”⁵⁴ From the beginning of the negotiations, the United States was forthcoming with its offers because of the experience in previous GATT negotiations that starting with limited offers restricts the breadth of the bargaining process.⁵⁵ While the United States may have been upfront with its concession offers, other states have to offer reciprocal concessions. The United States' offers may have largely remained a secret, but other states' offers did not. The United States National Fruit Export Council was concerned about the lack of offers from the European Economic Community and the limited access for American fruit to the EEC's market.⁵⁶ As a result of political action from the National Fruit Export Council, the United States Senate sent a letter to President Johnson to express their concern about the state of the Kennedy Round negotiations and the offers from the EEC on agriculture.

While the above example demonstrates the influence of political action by an export-competing industry, demands for improved access to foreign markets come with a cost. The cost for greater access to foreign markets comes at the expense of import-competing industries via more product inclusion and/or larger tariff concessions. In early 1967, as the

⁵⁴Foreign Relations of the United States, 1964-1968, Volume VIII, International Monetary and Trade Policy, eds. Evan Duncan, David S. Patterson, and Carolyn Yee (Washington: Government Printing Office, 1998), Document 262.

⁵⁵Foreign Relations of the United States, 1964-1968, Volume VIII, International Monetary and Trade Policy, eds. Evan Duncan, David S. Patterson, and Carolyn Yee (Washington: Government Printing Office, 1998), Document 316.

⁵⁶Foreign Relations of the United States, 1964-1968, Volume VIII, International Monetary and Trade Policy, eds. Evan Duncan, David S. Patterson, and Carolyn Yee (Washington: Government Printing Office, 1998), Document 324.

Kennedy Round was rapidly approaching its conclusion,⁵⁷ William Roth sought President Johnson's approval to offer additional concessions on products that were previously excluded from the bargaining process.⁵⁸ Specifically, the United States wanted to appeal to Italy with its improved concessions to gain favor with Italy to achieve improved concessions from the EEC.⁵⁹

Despite surviving the "confrontation and justification" stage of the Kennedy Round to remain on the exempted list, the United States' excluded products continued to face threats of inclusion during the bargaining process. Despite submitting one of the most limited exemption lists⁶⁰ of the main negotiating members, the United States received requests to include products on its exempted list.⁶¹ Roth argued that including previously exempted products would improve the United States' negotiating position.⁶² Specifically, the new concession offers of formerly exempted products were to be leveraged to improve agricultural concessions from the EEC.⁶³

On the other hand, several of the GATT's main negotiating members viewed the EEC's exemption list as too large compared to other members and believed that the EEC would not make very many revisions to its excluded products.⁶⁴ The largest farm lobby, Committee of Professional Agricultural Organizations, in Europe opposed greater liberalization in agricultural goods. At the same time, industries such as steel, clothing, rubber, automobiles,

⁵⁷The authority to negotiate international trade agreements under the Trade Expansion Act of 1962 expired after June 30, 1967. This meant that the Kennedy Round would have to be concluded by June 30th, or the United States would have to withdraw from the negotiating round.

⁵⁸Foreign Relations of the United States, 1964-1968, Volume VIII, International Monetary and Trade Policy, eds. Evan Duncan, David S. Patterson, and Carolyn Yee (Washington: Government Printing Office, 1998), Document 331.

⁵⁹Foreign Relations of the United States, 1964-1968, Volume VIII, International Monetary and Trade Policy, eds. Evan Duncan, David S. Patterson, and Carolyn Yee (Washington: Government Printing Office, 1998), Document 347.

⁶⁰Oral history transcript, Lawrence Fox, interview 1 (I), 11/12/1968, by Paige E. Mulhollan, LBJ Library Oral Histories, LBJ Presidential Library, accessed June 20, 2021, <https://www.discoverlbj.org/item/oh-foxl-19681112-1-74-108>

⁶¹Foreign Relations of the United States, 1964-1968, Volume VIII, International Monetary and Trade Policy, eds. Evan Duncan, David S. Patterson, and Carolyn Yee (Washington: Government Printing Office, 1998), Document 331.

⁶²Ibid.

⁶³Foreign Relations of the United States, 1964-1968, Volume VIII, International Monetary and Trade Policy, eds. Evan Duncan, David S. Patterson, and Carolyn Yee (Washington: Government Printing Office, 1998), Document 347.

⁶⁴"Operation of the Trade Agreements Program: 18th Report (January-December 1966). *U.S. Government Printing Office*, Washington, D.C., 1968.

and paper and pulp all sought exemption from the Kennedy Round or special favors from the EEC.⁶⁵ The EEC approach the Kennedy Round and its exempted list vastly different from the United States. While the United States largely did not hold back offers it intended to make and generated an initially restrictive exemption list, the EEC produced one of the largest exempted lists and appeared reluctant to modify its excluded products further during negotiations. The more restrictive offers from the EEC frustrated the United States and its export-competing interests, which led the United States to begin thinking about including some of its exempted products to entice better offers from the EEC.⁶⁶

When the United States was considering included exempted products toward the end of the Kennedy Round, it reexamined the products to determine if concessions could be offered without causing significant injury to the domestic industry.⁶⁷ The reexamination of products, in a limited number of cases, found that “it would not be consistent with the standards and purposes of the TEA to offer concessions in the Kennedy Round in such cases.”⁶⁸ The new concession offers of formerly excluded products did not apply the full 50% reduction, but instead, the United States offered partial reductions, bindings, or the removal of escape-clause protection.⁶⁹ These partial reduction offers were a result of possible Congressional interest⁷⁰ and concerns about possible injury to domestic industry and national security.⁷¹

Several factors of domestic importance were considered when determining which products from the exempted list and in deciding the offered concession rate. Table 5.10 highlights the additional offers that the United States made to secure better concessions from other negotiating members. Domestic factors did influence the decision on which products to include and

⁶⁵Keatley, Robert. “Protectionist Europe: Common Market Farm Pact Intensifies Threat to World Tariff Talks.” *The Wall Street Journal*, 6 January 1964

⁶⁶Foreign Relations of the United States, 1964-1968, Volume VIII, International Monetary and Trade Policy, eds. Evan Duncan, David S. Patterson, and Carolyn Yee (Washington: Government Printing Office, 1998), Document 347.

⁶⁷Foreign Relations of the United States, 1964-1968, Volume VIII, International Monetary and Trade Policy, eds. Evan Duncan, David S. Patterson, and Carolyn Yee (Washington: Government Printing Office, 1998), Document 331.

⁶⁸*Ibid.*

⁶⁹Foreign Relations of the United States, 1964-1968, Volume VIII, International Monetary and Trade Policy, eds. Evan Duncan, David S. Patterson, and Carolyn Yee (Washington: Government Printing Office, 1998), Document 334.

⁷⁰*Ibid.*

⁷¹Foreign Relations of the United States, 1964-1968, Volume VIII, International Monetary and Trade Policy, eds. Evan Duncan, David S. Patterson, and Carolyn Yee (Washington: Government Printing Office, 1998), Document 347.

Table 5.10: United States' Offered Concessions on Formerly Exempted Products

Industry	Product	Country Benefit	Concession Reduction	Possible Harm & Explanation
Glassware	"Bubble Glass"	Italy; Sweden	20%	Regional Economic Difficulty
Leather	Certain women's and men's leather gloves	Italy; EEC	18%	Competitively Weak Domestic Industry
Textiles	Woolens: Mufflers, hosiery, cashmere sweaters, and infants' outerwear	Italy; UK	"Modest Reductions"	Selective Chosen & Least Sensitive
Stone	Dicyandiamide & Limestone	Canada	100% Tariff Removal	
Metal	Unwrought Titanium	Japan	10%	Formerly national security grounds but cleared

^aSource: Foreign Relations of the United States, 1964-1968, Volume VIII, International Monetary and Trade Policy, eds. Evan Duncan, David S. Patterson, and Carolyn Yee (Washington: Government Printing Office, 1998), Document 347.

Table 5.11: United States' Offered Concessions on Formerly Exempted Products and Congressional Pressure

Industry	Product	Concession Reduction	Congressional Concern
Agriculture	Wild Rice	Bind tariff rate	Ex-Senator Hubert Humphrey
Metals	Round Wire	50%	A former Colorado Republican Congressman (Chenoweth)
Rubber	Protective Rubber Footwear	8%	Only one product of significant interest
Apparel	Button Blanks	50%	Four Senators and the removal of a loophole
Metal	Snap Fasteners	Rescind escape-clause duty	Connecticut representatives and Scovill Manufacturing Co.

^a

^aSource: Foreign Relations of the United States, 1964-1968, Volume VIII, International Monetary and Trade Policy, eds. Evan Duncan, David S. Patterson, and Carolyn Yee (Washington: Government Printing Office, 1998), Document 334.

the proposed concession rates. The decision to offer a 20% concession on “bubble glass” was influenced by the economic challenges of the manufacturing region.⁷² Roth further indicated that the United States did not offer additional concessions because “the glassware industry in this region has been beset by economic difficulties, we believe that the tariff protection which it presently enjoys should be substantially maintained.”⁷³ Additionally, the inclusion of certain women’s and men’s leather gloves were not offered at the full 50% reduction because “the United States leather glove industry has been regarded as competitively weak.”⁷⁴ The additional offers on woolen products were also shaped by domestic importance of the textile industry. Roth stated that the inclusion of wool products such as mufflers, hosiery, cashmere sweaters, and infants’ outerwear was selectively chosen because their products were the “least sensitive” to import-competition.⁷⁵

Another consideration also influenced the decisions around which additional products to include in the Kennedy Round negotiations, Congressional interest. The decisions around which products to include highlighted potential opposition from Congress.⁷⁶ However, Congressional interest did not carry the same influence as economic difficulties in industries. For example, the removal of escape-clause tariff rates for snap fasteners was decided despite opposition by the Connecticut Congressional delegation and an important producer of snap fasteners in Connecticut, Scovill Manufacturing Co.⁷⁷ The decision to include snap fasteners was based on analysis that removal of the escape-clause protection “would have no adverse effect on the economy of Connecticut or Scovill.”⁷⁸

When deciding which additional products to include off the exempted list in the bargaining process, the economic status of the domestic industry was a pivotal factor. Economic status may not have completely protected industries from inclusion, but it did affect how

⁷²Foreign Relations of the United States, 1964-1968, Volume VIII, International Monetary and Trade Policy, eds. Evan Duncan, David S. Patterson, and Carolyn Yee (Washington: Government Printing Office, 1998), Document 347.

⁷³Ibid.

⁷⁴Ibid.

⁷⁵Ibid.

⁷⁶Foreign Relations of the United States, 1964-1968, Volume VIII, International Monetary and Trade Policy, eds. Evan Duncan, David S. Patterson, and Carolyn Yee (Washington: Government Printing Office, 1998), Document 334.

⁷⁷Ibid.

⁷⁸Ibid.

many products were included and the concession rate. Industries in economically challenged regions received concessions rates below the 50% target, and products were carefully selected to avoid including any products where concessions may cause significant injury in the industry. Based on the determination guidelines for the initial exemption list, the potential for serious injury from imports was a significant variable in products being included on the exempted list. This concern carried over to the offers on formerly exempted products but in the form of lower concession rates instead of exemptions. Congressional interest factored into exemption decisions; however, it was not as substantial of a factor as economic status. In the case of snap fasteners, the product was included and had escape-clause protection revoked after determining that inclusion would not cause substantial economic harm despite Congressional opposition. In regards to exemption and domestic importance, an industry's domestic importance relates to its potential threat of import-injury and economic status. As the threat of serious import injury and economic challenges increased, industries were more likely to have their products excluded from negotiations or included with a lower concession rate.

5.4.4 Political Action and the Kennedy Round

Congressional interest and lobbying during the Kennedy Round were influential in pushing for the inclusion of exempted products. As with the Dillon Round, industry lobbying of Congress led to the exertion of pressure on the President and negotiators. However, lobbying during the Kennedy Round never became a major public issue and most pressures was exerted quietly.⁷⁹ The President and Executive Branch, in addition to Congress, were also lobbied by industries. However, the content of the lobbying efforts and their alignment with the recipients is likely to determine the outcome of lobbying actions.

While domestic pressure was applied quietly, outside of those directly involved in the Kennedy Round negotiations, the United States' offers were largely unknown to the public. In a letter to President Johnson, Acting Special Representative for Trade Negotiations

⁷⁹Oral history transcript, John A. Schnittker, interview 1 (I), 11/21/1968, by T.H. Baker, LBJ Library Oral Histories, LBJ Presidential Library, accessed June 20, 2021, <https://www.discoverlbj.org/item/oh-schnittkerj-19681121-1-74-249>

William Roth stated, "The industry offers which now have been on the table for a year and a half are still, on the whole, very much secret – both from industry and Congress."⁸⁰ The secrecy around the United States' Kennedy Round offers added an additional challenge to lobbying because industries could not be certain what was already offered. If industries lobby for exemption on products already exempted, it would be a waste of resources and access. On the other hand, if industries were lobbying for exemption on included products, industries would be uncertain on how much to lobby or even if the lobbying was accurately targeted. Given some of the concessions offered, Roth and President Johnson were concerned about the possible blowback if the extent of the United States' concessions were known.⁸¹

Export-competing industries had the advantage of not having to rely on the United States for information. Since these industries were concerned about the concession offers from other GATT members, there were more potential sources of information about which products were included or excluded from other states' lists. The U.S. National Fruit Export Council conveyed the state of negotiations regarding concession offers that benefit export-competing interests to Congress.⁸² In response to export-competing interest lobbying over the lack of foreign concessions, Congress pressured President Johnson and the Executive Branch to secure improved offers from other GATT members, especially the EEC. Congress referenced the EEC's offers as representing "policies unjustifiable restricting United States commerce."⁸³ In their appeal for improved concessions, Congress noted the importance of the EEC to the United States' exports.⁸⁴

However, Congress also intervened on behalf of import-competing industries. Members of Congress intervened to pressure the negotiators to renew the Long-Term Cotton Textile Arrangement for five years and no concession offers on textile products.⁸⁵ Whereas Congress

⁸⁰Foreign Relations of the United States, 1964-1968, Volume VIII, International Monetary and Trade Policy, eds. Evan Duncan, David S. Patterson, and Carolyn Yee (Washington: Government Printing Office, 1998), Document 316.

⁸¹Ibid

⁸²Foreign Relations of the United States, 1964-1968, Volume VIII, International Monetary and Trade Policy, eds. Evan Duncan, David S. Patterson, and Carolyn Yee (Washington: Government Printing Office, 1998), Document 324.

⁸³Ibid.

⁸⁴Ibid.

⁸⁵Folder, "Walt Rostow, Vol. 26, April 16-30, 1967 [2 of 2]," Memos to the President, NSF, Box 15, , LBJ Presidential Library, accessed June 20, 2021, <https://www.discoverlbj.org/item/nsf-memos-b15-f04>

noted the importance of other GATT members for United States' exports, Congress highlighted the perilous situation for import-competing industries. Congress stressed that given "the textile import situation and trend over the past five years, as well as the foreseeable trend in the immediate future, this would be a tragic mistake."⁸⁶ The content of the lobbying effort on behalf of the textile industry emphasized the threat of imports, which was a central consideration for the exemption list as well as reduced tariff concessions. The extent of import competition was further expressed specifically for man-made fibers. Congress noted that in 1962 that man-made fibers possessed a favorable balance of trade of 88.6 million pounds, but in 1966 reflected a trade deficit of 11.2 million pounds.⁸⁷ Additionally, Congress noted the innovation, growth, and employment for man-man fibers as a way to accentuate the importance to the domestic economy of the United States.⁸⁸

Industries also lobbied the Executive, along with Congress, directly. The California Fruit Council, the American Farm Bureau Federation, the National Wheat Growers Associations, the American chemical industry, and the American steel industry were all involved in lobbying during the Kennedy Round.⁸⁹ Lobbying pressures remained largely outside of the public view.⁹⁰ For import-competing industries, the lack of knowledge about offers may have complicated the ability to lobby for exclusion or reduced imports successfully. The secrecy around the United States' offers likely hindered import-competing lobbying. If an industry lobbied for a concession rate that was higher than the current offer rate, the negotiators might increase the offered concession rates based on the lobbying efforts.

In Congress's efforts to lobby on behalf of industries, it highlighted the importance of exports for export-competing interests but stressed the threat of imports for import-competing industries. Additionally, Congress emphasized the importance of industries for the United States' economy to justify the demand for additional concessions or the appeal for protection. Domestic importance was a consideration when determining the exemption list and reduced concession and featured in lobbying efforts.

⁸⁶Ibid.

⁸⁷Ibid.

⁸⁸Ibid.

⁸⁹Oral history transcript, John A. Schnittker, interview 1 (I), 11/21/1968, by T.H. Baker, LBJ Library Oral Histories, LBJ Presidential Library, accessed June 20, 2021, <https://www.discoverlbj.org/item/oh-schnittkerj-19681121-1-74-249>

⁹⁰Ibid.

5.4.5 Import Injury and Tariff Commission Appeals

In the Dillon Round, the Tariff Commission was influential in investigating escape-clause appeals and setting peril point concession levels. The passage of the Trade Expansion Act of 1962 drastically scaled back the role and influence of the Tariff Commission. Rather than the escape clause procedures of the RTAA that allowed the United States to revoke concessions that harmed domestic industries, TEA proposed trade adjustment assistance to offset the impact of tariffs, and TEA also removed peril point levels (Irwin, 2017). The Trade Expansion Act established the Special Representative for Trade Negotiations, which further limited the influence of the Tariff Commission in trade negotiations (Irwin, 2017). The Tariff Commission continued to investigate claims of import-related injuries.

Before the Kennedy Round, the Tariff Commission published a list of 18 products that had request exclusion from negotiations.⁹¹ Similar to the Tariff Commission's peril point investigations prior to the Dillon Round, these investigations carried the possibility of projection from a GATT negotiating round. Of the 15 investigations, three products⁹² were subject to negotiations with the finding that economic conditions had substantially improved in the industry since escape-clause action⁹³. Another 11 products⁹⁴ from the investigations were excluded from the negotiating round since the investigations indicated that economic conditions in the industry had not substantially improved (Ibid.). The escape-clause provision in the Reciprocal Trade Agreement Act was intended to offer protection for products that were subject to injury from increased imports. The continued importance given to import-related injuries carried over to the Kennedy Round, both in the Tariff Commission and in other agencies. The Tariff Commission's decision to include or exclude products from Kennedy Round negotiations, additionally, hinged on the economic conditions within industries.

The consistent theme across the Kennedy Round negotiations is the significance of import competition and industrial economic conditions. From the Special Trade Representa-

⁹¹ "Forty-Eighth Annual Report of the United States Tariff Commission," *U.S. Government Printing Office*, Washington, D.C., 1965.

⁹² Garlic (6-0); Ferrocium and other cerium alloys (6-0); Bicycles (4-2).

⁹³ Ibid.

⁹⁴ Groundfish fillets (0-6); Cream of tartar (0-6); Umbrella frames (0-6); Baseball and Softball Gloves and Mitts (0-6); Hatters' fur (0-6); Ceramic mosaic tile (0-6); Scissors and shears valued over \$.175 per dozen (0-6); Spring-type clothespins (3-3); Brier tobacco, pipes and bowls, values not over \$5 per dozen (0-6); Dressmakers' or common pins (0-6); Velveteens of cotton (2-4).

tive, Executive agencies, Congress, and the Tariff Commission, import injury and economic conditions influence the decisions of various groups involved decisions around product exemption and concession rates. However, import-related injuries had its limits in benefiting protectionist efforts by industries.

Despite the role reduction for the Tariff Commission in the Trade Expansion Act, the Tariff Commission continued to conduct investigations to determine if industries suffered an injury because of trade-related imports. The number of requests for the Tariff Commission to investigate possible import-related injury decreased following the passage of the Trade Expansion Act, and none of the conducted investigations found import injury. Under the Trade Expansion Act, Tariff Commission investigations could be initiated by firms and workers. The Tariff Commission did not find import injury due to trade negotiation concessions in any investigation during the duration of the Kennedy Round.⁹⁵

One key distinction between exemptions in the Kennedy Round and Tariff Commission investigations was the emphasis on import injury due to concessions in previous trade negotiations. Whereas the exemption list decisions only mentioned import injury, the Tariff Commission's prerogative from the Trade Expansion Act regarding investigations stressed the role of trade-related concessions. The difference in outcomes is likely a result of this distinction.

The results surrounding union membership in the quantitative analysis of both the Dillon and Kennedy Rounds indicate that unions were highly influential during negotiations. In investigations prompted by workers, almost all of the cases were initiated by an organization on behalf of workers for a firm or industry.⁹⁶ While the investigations prompted by unions did not result in the desired outcomes, it shows that collective organizations tried to advance the interests of their members. Further, the fact that unions were the ones that mainly sought investigations highlights the resources and political power that collective organizations possess in representing members.

⁹⁵ "Forty-Seventh Annual Report of the United States Tariff Commission," *U.S. Government Printing Office*, Washington, D.C., 1964.

⁹⁶ "Fifty-Second Annual Report of the United States Tariff Commission," *U.S. Government Printing Office*, Washington, D.C., 1968.

5.4.6 Accepted Offers and Exceptions

The conclusion of the Kennedy Round saw the United States receive concessions on \$7.5-8 billion for U.S. exports.⁹⁷ The concessions from the United States cover \$6.5 billion of imports and \$879 million of tariff-free imports⁹⁸ Despite the 50% concession target for included products, the average concession ranged between 33-35%.⁹⁹ This is likely a result of the United States and EEC included partial exemptions on their final concessions.¹⁰⁰ For example, U.S. concessions in the steel industry averaged less than 10%. Foreign Relations of the United States, 1964-1968, Volume VIII, International Monetary and Trade Policy, eds. Evan Duncan, David S. Patterson, and Carolyn Yee (Washington: Government Printing Office, 1998), Document 361. While the steel industry was domestically important for the United States, it was still included in negotiations but at a reduced rate.

The United States noted that some of its central negotiating partners - the EEC, Canada, the United Kingdom, and the Nordic countries - worked hard to meet the demands of the United States.¹⁰¹ This was despite the initial dissatisfaction with the EEC's exemption list and offers.¹⁰² In light of the EEC's concession offers, Congress stated that the main principle and purpose of the Trade Expansion Act must not be sacrificed just to conclude the Kennedy Round and that a meaningful agreement would "maintain and enlarge foreign markets for the products of the United States agriculture, industry, mining, and commerce."¹⁰³ Roth, in a hearing before the Senate's Committee on Finance, assured Congress that the United States would not accept an agreement that did not result in overall reciprocity or expanded foreign markets for the United States' exports (*Trade Policies and the Kennedy Round*, 1967).

⁹⁷Foreign Relations of the United States, 1964-1968, Volume VIII, International Monetary and Trade Policy, eds. Evan Duncan, David S. Patterson, and Carolyn Yee (Washington: Government Printing Office, 1998), Document 361.

⁹⁸Foreign Relations of the United States, 1964-1968, Volume VIII, International Monetary and Trade Policy, eds. Evan Duncan, David S. Patterson, and Carolyn Yee (Washington: Government Printing Office, 1998), Document 367.

⁹⁹Ibid.

¹⁰⁰O'Toole, Edward T. "Kennedy Round of Tariff Talks Will Open Today." *The New York Times*, 16 November 1964

¹⁰¹Ibid.

¹⁰²"Operation of the Trade Agreements Program: 18th Report (January-December 1966). *U.S. Government Printing Office*, Washington, D.C., 1968.

¹⁰³Foreign Relations of the United States, 1964-1968, Volume VIII, International Monetary and Trade Policy, eds. Evan Duncan, David S. Patterson, and Carolyn Yee (Washington: Government Printing Office, 1998), Document 324.

Despite the assurances, some still believed that the United States did not receive enough to justify concluding the Kennedy Round or met the standards laid out prior to negotiations.¹⁰⁴

Despite Congressional pressure to not offer concessions on man-made fibers and other textiles,¹⁰⁵ the average tariff concession for man-made fiber was 13%.¹⁰⁶ The average concession level was drastically below the 50% concession target. The influence of domestic importance and pressure may lead to lower tariff concessions despite inclusion in negotiations. The United States was strongly biased toward export-competing interests (Goldstein, 1986; Siles-Brügge, 2014; Strange, 1985). To complement that bias, a central emphasis for the United States in the Kennedy Round was reductions in the EEC's external tariffs to improve access to the EEC's market for the United States' exports (Irwin, 2017; *Trade Policies and the Kennedy Round*, 1967). The United States was willing to withdrawal offers when needed, but withdrawals were based on negotiation considerations and the economic sensitivity of products.¹⁰⁷

The United States maintained significant exceptions even though it added additional products late in negotiations. The exemptions maintained by the United States included: Most dairy products, most meats, most wines, many fresh fruits and vegetables, most cigars, most petroleum products, most wool and man-made textiles, most footwear and gloves, most glass items, watch movements, lead and zinc, and carpets.¹⁰⁸ Even though the United States included products from man-made textiles, glass, gloves, and other industries, many of the products within industries were not included at the end of the negotiations. As noted by the Special Representative for Trade Negotiations, many glassware items should maintain their level of protection, and the included woolen items were carefully selected to create the least

¹⁰⁴Oral history transcript, Alexander Buel Trowbridge, Jr., interview 1 (I) A, 2/19/1969, by Paige E. Mulhollan, LBJ Library Oral Histories, LBJ Presidential Library, accessed June 20, 2021, <https://www.discoverljb.org/item/oh-trowbridgea-19690219-1-74-87-a>

¹⁰⁵Folder, "Walt Rostow, Vol. 26, April 16-30, 1967 [2 of 2]," Memos to the President, NSF, Box 15, , LBJ Presidential Library, accessed June 20, 2021, <https://www.discoverljb.org/item/nsf-memos-b15-f04>

¹⁰⁶Foreign Relations of the United States, 1964-1968, Volume VIII, International Monetary and Trade Policy, eds. Evan Duncan, David S. Patterson, and Carolyn Yee (Washington: Government Printing Office, 1998), Document 361.

¹⁰⁷Foreign Relations of the United States, 1964-1968, Volume VIII, International Monetary and Trade Policy, eds. Evan Duncan, David S. Patterson, and Carolyn Yee (Washington: Government Printing Office, 1998), Document 367.

¹⁰⁸Foreign Relations of the United States, 1964-1968, Volume VIII, International Monetary and Trade Policy, eds. Evan Duncan, David S. Patterson, and Carolyn Yee (Washington: Government Printing Office, 1998), Document 361.

amount of harm to the industry.¹⁰⁹ Domestic importance influenced product inclusion as well as concession levels; however, import-competing products were included in the Kennedy Round in order to try and achieve better access for exports in foreign markets. Domestic importance may not be the magic solution to protect import-competing industries from trade negotiations, but the economic conditions within import-competing industries and the threat of import-related injuries appeared to heavily factor into the United States' decision-making around which products to include and what concession rate to offer.

5.4.7 Reconciling the Results

The negative correlation for both labor intensity and unemployment in Figure 5.7 is supported by the qualitative case study. An industry's economic health was a major factor in the decision to include products or not as well as concession rates. The negative effect of unemployment in Figure 5.5 is also present in the case study. Economic weak industries, such as glassware and leather gloves, have a few select products included in the Kennedy Round, but those products were not subject to the full 50% target concession rate. Domestic importance occurs through economic weakness to influence bargaining outcomes.

The negative relationship between product inclusion and labor-intensity may be a feature of the industries. The industries that were labor intensive during the 1960s included textiles, footwear, and glassware (Chase, 2005). These were the industries that the United States reluctantly included in the negotiations at a lower concession rate. These industries were also economically challenged. This may indicate that there is a possible relationship between labor-intensity and unemployment in import-competing industries. It may also indicate that labor intensive industries were declining in the United States as trade flows expanded. The decline of labor-intensive industries in the United States may signal changes in domestic industries and which products the United States exports and imports.

In the Dillon Round, union memberships influenced trade negotiations. According to the results of the Kennedy Round analysis, the effect of union membership did not continue under

¹⁰⁹Foreign Relations of the United States, 1964-1968, Volume VIII, International Monetary and Trade Policy, eds. Evan Duncan, David S. Patterson, and Carolyn Yee (Washington: Government Printing Office, 1998), Document 347.

the linear negotiation framework. The Trade Expansion Act of 1962 shifted protectionist assistance from tariffs to financial payments, which were a key aspect to gain the support of unions for the new trade policy (*Congressional Action on President's Trade Bill*, 1963). This shift likely minimized the influence of unions during the Kennedy Round. On the other hand, unions initiated many investigations with the Tariff Commission on behalf of members. Those investigations were in pursuit of financial assistance due to the threat of import-related injury. However, none of those investigations initiated by unions led to financial assistance since the Tariff Commission found no threat or injury from increased imports as a result of trade negotiations.

5.5 Conclusion

Domestic importance appears to vary by whether industries are export- or import-competing. For export-competing industries, domestic importance has reflected the extent of exports contributed to the United States' overall exports. On the other hand, domestic importance for import-competing industries is represented through potential import-related injury and economic conditions within industries. Nevertheless, the United States maintained its focus on gaining improved export access to the EEC. The United States offered products off of its exemption list as a way to entice improved concessions. The Kennedy Round highlights the importance the first-mover advantage has in negotiations. The ability to exempt products from the negotiation as the first act of bargaining greatly improved the influence of import-competing industries at the outset of negotiations, even if the exemptions had to be defended later in the bargaining process. The emphasis shifted from which products to request from other countries to which products to protect from concessions. The United States' view of itself as a leader in trade liberalization limited its exemption list as not to restrict the bargaining process.

6.0 Conclusion: International Rules, Domestic Actors, and Bargaining Outcomes

6.1 Dissertation Review

This dissertation sought to empirically identify the effect of institution change on domestic actors in bargaining outcomes. Chapter 2 offers a thorough review of the existing literature on trade policy and how the main aspects of trade policy have evolved. Chapter 3 presents a theory about the overlap between international and domestic institutions. The argument emphasizes the role of international institutions in establishing which domestic groups possess first-mover advantage domestically in negotiations. Chapter 4 presented a new dataset on the United States' concessions in the Dillon Round Negotiations. The quantitative results indicate that domestic importance minimally influenced concession rates once products were included in negotiations. The qualitative results highlight the mitigating role of domestic institutions. Even though the GATT's negotiation format mobilized export-competing interests as the first-movers, the United States restricted the products that could be included in the negotiation. Chapter 5 presented another new dataset on the United States' concessions and exclusions during the Kennedy Round. The quantitative results indicate a minimal role for domestic importance in excluding products from negotiation or limiting concessions. Again, the qualitative results emphasize the mitigating role of domestic institutions in limiting the first-mover advantage for import-competing industries. Given the opportunity to exempt products from the Kennedy Round negotiation, the United States employed a technical approach that created a limited exemption list.

6.2 Normative Implications

What can the results indicate about international trade negotiations and the role of international and domestic institutions? Collecting two new datasets on concessions and product

inclusion offers a crucial first step to analyze the bargaining process of trade negotiations. Additionally, the qualitative case studies demonstrate the significance of domestic institutions limiting the role of international institutions. Finally, there are four key implications from the theoretical argument and results presented in the dissertation.

The first normative implication draws on the relationship between domestic and international institutions and the sequencing of actions. The theoretical argument advanced in Chapter 3 sequences international rules first with domestic institutions responding. However, the results indicate that international rules are filtered through domestic institutions. In Chapter 4, the United States was restricted in the products that it could offer despite the first-mover advantage for export-competing interests. Similarly, in Chapter 5, the United States provided a minimal exemption list despite the first-mover advantage shifting to import-competing industries. Although international institutions may affect decision-making, domestic institutions retain a strong mediating influence on how international rules are applied.

Second, product inclusion is the central component of trade negotiations. The emphasis is not on revising tariff rates; rather, the onus is on deciding which products to include and the corresponding concession. The results support (Bagwell, Staiger and Yurukoglu, 2020). Additionally, a recent trade agreement between Japan and the European Union demonstrated this implication perfectly. Japan reluctantly agreed to include certain cheese in its offers but did so using a duty-free quota for these products.¹ In the Dillon and Kennedy Rounds, much of the decision-making revolved around which products to include rather than the new tariff rate. Figures 4.2, 4.3, 5.2, 5.3 reflect that the concessions mainly cluster around the 20% and 50% target offers for the Dillon and Kennedy rounds, respectively. If negotiations have a target concession rate, it may shift the burden from bargaining over the size of concessions to negotiating over which products are included. In the Kennedy Round, other GATT members asked the United States to offer concessions on exempted products² rather than requesting larger tariff concessions.

A third implication is the role of domestic importance once products are included in

¹“A new trade deal between the EU and Japan.” *The Economist*, 8 July 2017.

²Foreign Relations of the United States, 1964-1968, Volume VIII, International Monetary and Trade Policy, eds. Evan Duncan, David S. Patterson, and Carolyn Yee (Washington: Government Printing Office, 1998), Document 331.

negotiations. Once products are included in negotiations, domestic importance no longer offers significant protection. However, prior to inclusion, domestic importance is a primary consideration on whether to include a product or not. The United States' decision to exclude products emphasized the struggles of industries to justify the exemption. Rather than domestic importance growing as industries mattered more to the domestic economy, there is an inverse relationship between industry strength and product exclusion. Strong domestic industries are less likely to receive protection in negotiations than weaker, more easily economically threatened industries.

Fourth, not all indicators of domestic importance matter equally. My initial expectation was that as domestic importance indicators improved that those industries would receive more protection. Instead, the factors that shaped the negotiations involved threats that industries may face as a result of concessions. For example, whether an industry faced a significant threat from imports, is considered a weak industry, or is undergoing economic hardship. Beyond the potential threats to the industry, union membership also influences bargaining outcomes. Domestic importance does affect offered concessions, but only certain domestic aspects that shape bargaining outcomes.

6.3 Directions for Future Research

The results presented in chapters 4 and 5 are an initial examination of trade negotiations. The data collection focused on the United States, but as the declassified GATT documents indicate, many of the included concessions depended on what other states offered during negotiations. As Bagwell, Staiger and Yurukoglu (2020) show, international trade negotiations involve many moving parts with products entering and exiting negotiations. The GATT documents provide resounding cases to examine how product offerings differ across negotiations and evolving domestic environments. These documents provide an abundance of directions for future research.

The first direction of future research is to continue analyzing the overlap between international and domestic institutions. The domestic institutions of the GATT members vary, and

those differences may create competing tensions (Farrell and Newman, 2014, 2016). This dissertation only examined the relationship between the United States' domestic institution and the GATT. Some members, such as the EEC, generated more extensive exemption lists, indicating that its domestic institutions interacted differently with the GATT's rules compared to the United States. In addition, electoral systems, institutional biases, or parliamentary systems may filter international rules differently, leading to different bargaining outcomes.

Since the GATT documents cover the first seven negotiating rounds, offers can be tracked across the negotiations. Goldstein and Gulotty (2014) find that the GATT facilitated repeat reductions on products. Collecting data on concessions across multiple rounds allows tracking whether included products in prior negotiations are included again in a subsequent round. Multiple rounds will allow for the analysis of excluded items to see if those products remain protected or are included in future negotiations. Also, the multiple negotiation rounds provide the ability to explore issue linkage across industries as well as industrial and agricultural products. Issue linkage assists with product inclusion and lowering protectionist barriers (Davis, 2004). Collecting data on multiple rounds will assist with answering questions about repeat offers and how different bargaining rounds relate to each other.

Finally, another direction for future research is to explore when international trade transitioned from inter-to intra-industry trade. This transition does not occur simultaneously for every trading partnership (Kim, Liao and Imai, 2020). Different trade dyads progress at different rates. The GATT may have facilitated the transition to intra-industry trade especially following the expansion of global supply chains since the 1960s (Osgood, 2018). The negotiated outcomes from the GATT rounds can track the flow of products between states and through the GATT. The factors that shape trade patterns differ between inter- and intra-industry trade (Kim et al., 2019; Kim and Osgood, 2019; Osgood, 2017*b*; Johns, Pelc and Wellhausen, 2019). The shift between inter-to intra-industry trade would be visible in the documents as the products covered during the negotiations begin to shift. If this change does occur in the GATT, it will also affect the influence of domestic actors and how institutional rules affect negotiations.

The transition to intra-industry trade may have also been affected by the GATT's in-

stitutional rules. As argued in the existing literature, the item-by-item approach may have restricted trade in similar products as it would increase import-competing for domestically important industries. On the other hand, the exempted lists proceeding linear reductions may have also hampered intra-industry trade. The results from chapters 4 and 5 indicate that domestic interpretation also affects the influence of international rules. International trade's movement toward intra-industry trade may be affected by the overlap between domestic and international institutions.

The declassified GATT documents contain a wealth of information that can further our understanding of the GATT and the evolution of international trade. Each direction for future research requires substantial additional data collection but would significantly benefit our understanding of international trade and international institutions. The results in chapters 4 and 5 offer support for Bagwell, Staiger and Yurukoglu (2020) that product inclusion and removal are central characteristics to trade negotiations. Each avenue for additional research involves product inclusion since the documents provide the ability to examine the back-and-forth nature of negotiations. Further study of the declassified GATT documents should offer a more complete understanding of international trade and the role of institutions.

Appendix A Data Collection and Variable Measurement

A.1 Data Collected From the GATT Documents

The data collected from the declassified GATT documents includes:

- Product Name
- United States' Product Identification
- Duty unit
 - Specific (weight, length, etc.)
 - Ad valorem (%)
 - Combination specific
 - Combination specific and ad valorem
- Current Tariff Rate
- New Tariff Rate
- Binding Tariff Rate

A.1.1 Transforming the GATT Data

At the time of the Dillon and Kennedy Rounds, the Brussels Tariff Nomenclature was used to classify imported goods. To modernize the classification of products and provide uniformity across negotiating rounds, I label each product from the Dillon and Kennedy Rounds by Harmonized Systems (HS) classification codes at the HS2 and HS4 levels.¹ In order to code each product to a HS classification, I matched the product name at both the HS2 and HS4 levels. I used the broader HS classifications to provide an industry-level classification for each included product. More detailed HS classifications provide greater specification about individual products, but the focus of the dissertation and data collection

¹While this dissertation examines two GATT rounds, the declassified documents span seven negotiating rounds. The coding of Harmonized System lays the foundation for additional data collection across the other five negotiating rounds.

is on industries. The inclusion of HS classification assists with matching the data collection of the independent variables with the appropriate industry.²

I use the data collected from the GATT documents to comprise of the main dependent variables of **concession size** and **product inclusion**. Tariff concessions is measured for both the Dillon and Kennedy Rounds while product inclusion is only measured for the Kennedy Round.³ The measure of tariff concessions is bound between 0 and 1 and includes both values. The measure for tariff concessions is determined as a percent change from the existing tariff rate to the new tariff rate: $\frac{(\text{Current Tariff} - \text{New Tariff})}{\text{Current Tariff}}$. If a product had a current tariff rate of 10% ad valorem and the new tariff rate is 5%, the tariff concession would be .5 as determined by $\frac{(10-5)}{10} = .5$. Some products have have two or more tariff duties attached, which makes calculating the concession rate more challenging. In those instances, I calculate the percent change for each duty type and average the percentages to generate a single value. The follow equation shows how the concession rate is determined in these instances and provides an example: $(\frac{((10-5)/10)}{((12.5-6)/12.5)})/2 = .51$. Higher values of concession size is associated with larger tariff reductions while lower values indicate smaller reductions.

For product inclusion in the Kennedy Round, the United States' documents shade a product gray if it is excluded from the negotiating round. Each product that is shaded in gray is coded as a "0" since it is excluded from the negotiation. Every other product that is not shaded gray in the documents is coded as a "1" to indicate inclusion in the negotiation.

A.1.2 Dillon Round Agricultural Products Data Collection

For the Dillon Round, the collected data only includes the final, agreed upon concessions. I do collect data on agricultural products that extend beyond just the final agreed upon concessions. In this case, I divide the Dillon Round into three segments: Request, Offer, and Agreement. First, I collect the requests for concessions on United States' agricultural products from other GATT members.⁴ Second, I collect the offers that the United States made on agricultural products. Lastly, I collect the data for the final agreed upon concessions

²Data collection for the independent variables is discussed in Section A.2.

³I do collect data on product inclusion in the Dillon Round but only for agricultural products. The data collection and variable measurement for that analysis is discussed in Section A.1.2.

⁴The collected data is the same as above.

for the United States' bilateral negotiations.

To conduct the analysis in Section 4.3.2, I aggregate the data for each bilateral negotiation. This includes aggregating the number of products and tariff concession rates at each stage of the negotiation. Figure 4.7 is the result of the overall aggregation across the negotiation stages. Additionally, across the three negotiation stages, I examine the number of United States' agricultural products that were removed from each bilateral negotiations. To determine whether a product was removed or carried to the next stage, I compared product information between the previous stage and the next stage. Each list on United States' products included a tariff identification number as well as a detailed description of the products. If an entry matched on both name and identification number for the two stages, the product was determined to be the same. However, if the name and identification number varied did not match an entry in the next stage, the product was coded as removed. Further, I determined the negotiation stage where final concessions were included. This involved a similar process to coding removed products. To determine the stage that a final concession was included, I matched product names and identification numbers of final concessions with products from the two previous stages - request and offer. If a final concession matched an entry from the request stage, that product was coded as entering the negotiation in the request stage. If a final concession did not match an entry in the request stage but did match an entry in the offer stage, the product is coded as entering negotiations during the offer stage. If a final concession did not match an entry in either the request or offer stages, it was coded as entering during the final agreement stage. The results of these classifications is in Figure 4.8.

A.2 Independent Variables

Not every variable defined below was used in the analysis in the dissertation. However, each below variable was collected and included in the data set as a possible variable. Since each variable is included in the data set, I describe how each variable is measured.

Since the analysis focuses on the final concessions, I average the below variable during

the years that the Dillon Round (1960-1962) and the Kennedy Round (1964-1967) were negotiated, respectively.

A.2.1 Variables from the Bureau of Economic Analysis

A.2.1.1 Employment

Employment includes all full- and part-time employees (in thousands) in an industry. In order to reduce the affect of outliers in the analysis, I take the natural log of the employment data.

A.2.1.2 Compensation

Compensation includes wages and salaries (in millions) for employees by industry. In order to reduce the affect of outliers in the analysis, I take the natural log of the compensation data.

A.2.1.3 Value Added

Value added is defined as industries' contribution to gross domestic product (GDP) and is measured by the BEA as "equal to its gross output (which consists of sales or receipts and other operating income, commodity taxes, and inventory change) minus its intermediate inputs (which consist of energy, raw materials, semi-finished goods, and service that are purchased from domestic industries or from foreign sources)." In this dissertation, value added is measured as a percentage of GDP.

A.2.1.4 Gross Output

Gross output includes the goods and services produced by an industry. The BEA measures gross output "by summing the value of the industrys sales or receipts, other operating income, commodity taxes, and inventory change." In order to reduce the affect of outliers in the analysis, I take the natural log of the gross output data.

A.2.2 Variables from the Handbook of Labor Statistics 1969

A.2.2.1 Accession: New Hires

Accession (new hires) is measured as new wage and salaried employees (per 100 employees) being hired by firms within industries. The accession (new hires) variable includes only new hires into industries.

A.2.2.2 Accession: Total

Accession (total) is measured as new wage and salaried employees (per 100 employees) being hired by firms within industries. The accession (total) variable includes both new hires and rehires into industries.

A.2.2.3 Separations: Layoffs

Separations (layoffs) is measured as wage and salaried employees (per 100 employees) being layoff by firms within industries. The separations (layoff) variable includes only layoffs within industries.

A.2.2.4 Separations: Total

Separations (total) is measured as wage and salaried employees (per 100 employees) that leave firms within industries. The separations (total) variable includes layoffs, quits, and other separations from industries.

A.2.2.5 Unemployment Rate

“Handbook of Labor Statistics 1969” includes the following in its definition of unemployment: Individuals that did not work, were laid off and waiting to be called back to work, waiting to start a new job within 30 days, and who would have been looking for employment but were temporarily ill.

The variable used in this dissertation is unemployment rate. The unemployment rate is the number of unemployed (as defined above) as a percent of the labor force within industries.

A.2.3 Variables from the Directory of National and International Labor Unions in the United States

A.2.3.1 Number of Unions

Number of unions is a count of the number of unions active within an industry. The measure is nonaddictive since unions can have membership across multiple industries.

A.2.3.2 Union Membership

Union membership is the total number of union members within an industry (in thousands). The measure includes both membership in AFL-CIO affiliates and unaffiliated unions. In order to reduce the affect of outliers in the analysis, I take the natural log of the union membership data.

A.2.3.3 Membership AFL-CIO Unions

AFL-CIO union membership is the total number of members in AFL-CIO unions within an industry (in thousands). In order to reduce the affect of outliers in the analysis, I take the natural log of the AFL-CIO union membership data.

A.2.4 Variables Created From the Above Variables

A.2.4.1 Labor Intensity

The measure for labor intensity is created by dividing compensation by value added as described by Chase (2005).

A.2.4.2 Decline (Binary)

The binary decline measure is an alternative to unemployment for industries in the analysis. This measure is only used in the Dillon Round.⁵ The measure is coded as "1" if an industry has more separations (total) than accessions (total). An industry is coded as "0" if accessions (total) are greater than separations (total).

A.2.4.3 Decline (Continuous)

Due to the inability to use the binary measure for decline in the Kennedy Round, I generated variable that measures the difference between separations and accessions. The continuous decline variable is measured as separations divided accessions.

⁵The binary measure only produced one measure for each industry in the Kennedy Round. Between the Dillon Round to the Kennedy Round, there was a decline in unemployment rate, so the binary measure returned all zeros in the Kennedy Round as all industries experienced an increase in accessions at the time.

Appendix B Dillon Round Analysis

The industries in Table B.2 were grouped by Irwin (2006) in broad-end classifications. The broad-end classifications are identified and described below:

- Agricultural
 - Food for human consumption and animal feeds and includes edible animals.
- Industrial Supplies and Materials
 - Encompasses crude and processed materials and supplies primarily associated with, or used in, the producing sectors of the economy.
 - Fuel and lubricants; Lumber, paper, and paper-base stocks; Primary and fabricated metals; Crude and processed textiles.
- Capital Goods Except Automotive
 - All machinery, equipment, apparatus, and instruments and their parts, components, accessories, and attachments.
- Automotive Vehicles, Parts, and Engines
 - Passenger cars, trucks and buses, and automotive parts and engines (including engine parts).
- Consumer Goods (Nonfood), Except Automotive
 - Products used by the final consumer.

Table B.1: Correlation Table: Analysis Variables

Variables	Employment (ln)	Labor Intensity	Gross Output (ln)	Number of Unions	Unemployment Rate
Employment (ln)	1.0000				
Labor Intensity	-0.5743	1.0000			
Gross Output (ln)	0.5759	-0.7606	1.0000		
Number of Unions	0.2290	-0.0991	0.0269	1.0000	
Unemployment Rate	-0.1947	-0.0320	-0.1986	-0.1986	1.0000

Table B.2: Dillon Round: Export- and Import-Competing Industries in the United States

Industry	Import-Competing	Export-Competing
Agriculture		X
Machinery: Equipment and Parts		X
Automotive Vehicles, Parts, and Engines		X
Fuels and Lubricants	X	
Lumber, Paper, Paper-Base Stocks	X	
Textiles	X	
Metals and Fabricated Metals	X	
Consumer Goods (Nonfood) Except Automotive	X	

Appendix C Kennedy Round Analysis

The industries in Table C.2 were grouped by Irwin (2006) in broad-end classifications. The broad-end classifications are identified and described below:

- Agricultural
 - Food for human consumption and animal feeds and includes edible animals.
- Industrial Supplies and Materials
 - Encompasses crude and processed materials and supplies primarily associated with, or used in, the producing sectors of the economy.
 - Fuel and lubricants; Lumber, paper, and paper-base stocks; Primary and fabricated metals; Crude and processed textiles.
- Capital Goods Except Automotive
 - All machinery, equipment, apparatus, and instruments and their parts, components, accessories, and attachments.
- Automotive Vehicles, Parts, and Engines
 - Passenger cars, trucks and buses, and automotive parts and engines (including engine parts).
- Consumer Goods (Nonfood), Except Automotive
 - Products used by the final consumer.

Table C.1: Correlation Table - Analysis Variables

Variables	Employment (ln)	Labor Intensity	Gross Output (ln)	Union Membership (ln)	Unemployment Rate
Employment (ln)	1.0000				
Labor Intensity	-0.6016	1.0000			
Gross Output (ln)	0.6215	-0.8810	1.0000		
Union Membership (ln)	0.4685	-0.2718	0.2901	1.0000	
Unemployment Rate	0.0020	-0.2019	0.2044	-0.4474	1.0000

Table C.2: Kennedy Round: Export- and Import-Competing Industries in the United States

Industry	Import-Competing	Export-Competing
Agriculture		X
Machinery: Equipment and Parts		X
Automotive Vehicles, Parts, and Engines		X
Fuels and Lubricants	X	
Lumber, Paper, Paper-Base Stocks	X	
Textiles	X	
Metals and Fabricated Metals	X	
Consumer Goods (Nonfood) Except Automotive	X	

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